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## FINANCIAL TIMES

THURSDAY NOVEMBER 10 1994

## **Mexican telecoms** joint venture

AT&T, the US telecommunications group, is to form a \$1hn joint venture with Grupo Alfa, a large Mexican industrial conglomerate, to provide telecommu-nications services in Mexico. Alfa will hold 51 per cent of the venture and AT&T 49 per cent. The jointly-owned company is expected to apply for a licence to offer long-distance telephone services in Mexico, a market which will be opened up to competition from January 1997. Page 20

US operations lift News Corp: News Corporation, Rupert Murdoch's International media group, reported a 15 per cent rise in first-quarter net profits to A\$301m (US\$232m) following strong results from the company's US film and television

Sutherland may take caretaker trade role



With the contest for the top job at the future World Trade Organisa tion deadlocked, Peter Sutherland (left), director-general of the Geniffs and Trade, is believed to be ready to stay on in a caretaker role, Mr Sutherland said last April he would not

tor-general of the WTO, which is due to begin work on January 1. Page 18

Hanol expects \$2bn in foreign aid: Vietnam is likely to receive pledges of some \$2bn (£1.2bn) in foreign aid at a donors' meeting in Paris next week and wants about \$10bp by the end of the decada to fund its economic reffrm programme. Page 7

Toyota plans second Canadian plant: Japanese carmaker Toyota is to build a second assembly plant in Canada to double production capacity in the country to 205,000 cars a year hy the late 1990s. Page 8

Jakarta plans privatisation drive: Indonesia plans a privatisation drive as part of its 1995-96 budget, with interpraticual equity offerings and flota-tions on Sac Jakarra stock exchange. Page 7

SA Breweries 21% ahead: Sonth African Breweries, the country's largest industrial company, recorded a 21 per cent rise in attributable profit to R342m (\$97.8m) for the six months to Septeracer, helped by an improvement in South African consumer confidence. Page 23

EU signs \$124m Palestinian aid deal: The European Union signed an agreement with Yassir Arafat, chairman of the Palestinian self-rule authority, for aid worth up to \$124m next year. Page 6

Union Pacific tries new tactic: The battle for Santa Fe Pacific, one of the biggest US railway companies, intensified as Union Pacific, the hostile hidder, produced a new offer designed to outmanoeuvre Burlington Northern, the friendly suitor.

Siemens down 17%: German electronics group Siemens is to pay an unchanged dividend des 17 per cent drop in annual net earnings to DM1.65bn (\$1.1hn). Page 19; Lex. Page 18

Co-op Bank may be sold: The sale of part or all of the UK-based Co-operative Bank is being con-sidered by its owner, the Co-operative Wholesale

Society, Page 20

C&W plans cuts at Mercury: UK telecommunications group Cable & Wireless announced staff and cost cuts at its UK-based Mercury Communications subsidiary while reporting an 11 per cent increase in interim pre-tax profits. Page 19; Lex. Page 18

Swedish PM's pledge if voters back EU: Swedish prime minister Ingvar Carlsson promised an urgent government programme to increase employment if there was a Yes vote in Sunday's referendum on membership of the European Union.

New private hospital in receivership: Health Care International, the Scottish private hospital opened four months ago to cater for overseas patients, went into receivership when its bankers

were unable to agree a rescue package. Page 9 UK students protest at funding cuts: Up to 20,000 students marched through London protesting about grant cuts which they say make it impossible to survive without incurring hig debts. Page 9

Protest at livestock shipment: Animal welfare groups protested at Sheerness in Kent at the launch of a UK ferry service carrying live animals to mainland Europe. Page 9

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AT&T forms \$1bn | Doubts over trade and foreign policies I Investors expect pro-business Congress

## US faces political gridlock as Republicans sweep to victory

The most sweeping Republican trinmph in congressional and in nearly 50 years left the US yesterday with the prospect of confrontation and protracted political gridlock.

Magnanimity from the victors and pledges of co-operation from the vanquished were the prevail-ing sentiments yesterday, but there were doubts about the fate of foreign and trade policies, as well as the purely domestic, over the next two years.

Congressman Newt Gingrich, almost certain to be the next Speaker of the House of Repreentatives, said he would seek to find areas of accommodation with the Democratic administranon - on greater budgetary control, tax credits for middle-income families and welfare reform before pressing ahead with the more ideological elements in the Republican manifesto most obviously unpalatable to President Bill Clinton.

Mr Clinton, on the receiving end of a drubhing, was due to offer his own postmortem at a press conference. But he called Mr Gingrich yesterday and, according to reports from both sides, offered, and received. pledges not to allow the nation's government to sink into gridlock.

The 52-18 majority in the Sen-ate won by Republicans at the polls even grew by one when Sen-ator Richard Shelby, the conservative Democrat from Alabama; announced he was crossing the political aisle. Flanked by the Republican hierarchy, senators



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HOUSE			
Democrat	204	256	
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SENATE			•
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Republican	53	44	
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Democrat	18	29	
Republican	31	20	
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Boh Dole and Phil Gramm, he said he was joining "a party of hope for America" and leaving "a party of dependency".

But Mr Dole and Mr Gingrich

Provisional forecasts based on AP moults

were generally less inclined to crow even after the results. in which no Republican incumbent was defeated, far exceeded their wildest dreams. It was an election in which public discontent with government in most of its works was manifest.

Mr Leon Panetta, White House chief of staff, said he had spoken to Mr Gingrich on Tuesday night and, trying to hold the Republican's feet to the fire, "Le p! ired to work with us to try and get the Gatt treaty passed".

The Gatt vote is due later this

month by both Houses in a spe-cial session of the old Congress.

appointment", but denied the results were a vote of no-confidence in the president or his economic policies that had produced so many new jobs. "It's really a vote that places on the Republicans the responsibility to help govern this country with the president," he said. But the Senate will have to get

along without a Republican candidate who would have been difficult to imbue with any spirit of co-operation. Mr Oliver North lost in Virginia to Senator Charles Robb.

In California, Mr Michael Huffington, who spent \$25m on his campaign, had still not publicly accepted his two-point defeat by Senator Dianne Feinstein at noon when almost all the votes were

The Republican losses were more than offset by the cull of dozens of Democratic luminaries, from Congressman Dan Rostenkowski in Illinois through to Governor Mario Cuomo in New York to Senator Jim Sasser in Tennessee, all victims of voter resentment and unknown Republicans. The victories of two senators. Edward Kennedy in Massa chusetts and Daniel Patrick Moynihan in New York, were

scant compensation.

The result leaves the country with a new political face. In the House, with nine contests still undecided, the Republicans, with a provisional net gain of 49, already had acquired an edge of about 227-198.

Election reports, Pages 4, 5; Desperately seeking solace, Page 17; Editorial comment, Page 17.



President Bill Clinton: affered, and received, pledges not to allow the nation's government to sink back into gridlock

#### Dollar rises but stocks fall back after gains

By Patrick Harverson In New York

Republican success in Tuesday's elections sparked a strong rally in the dollar and US and European financial markets yester-day, as investors anticipated that a more pro-business Congress would pursue policies to aid growth and cut government

However US markets were unable to sustain their early gains and Wall Street retreated amid concerns that conflict between President Bill Clinton and a Republican Congress could undermine investor confidence

in the economy and the dollar.

The markets were also troubled by fears of rising US interest rates; most analysts expect the Federal Reserve to raise rates next week to sinw economic growth and restrain

Some analysts believe the poll results have important implications for monetary policy. Mr Richard Hoey, chief economist at the investment fund group Dreyfus, said: "The Fed will now be more free to tighten as fast and as much as it wants. It had been under pressure from Democrats in Congress.

The possibility that the Republican success could lead Mr Alan Greenspan, the Fed chairman, to raisa rates further and laster than the markets had expected was behind some of the selling on US markets yesterday.

By Ipm the Dow Jones Industrial Average - which had jumped 38 points in the opening minutes - was down 11.44 at 3,819.80. The dollar, however, remained higher, up almost 2 pfennigs against the D-mark at DML525, and up half a yen at Y97.62.

European stock markets greeted the Republican victories unlika Wall Street they kept

Continued on Page 18 World stocks, Page 38

## German multimedia deal blocked by EC

By Emma Tucker in Brussels and Michael Lindemann in Bonn

European Commission yesterday blocked a multimedia deal among three of Germany's most powerful companies after deciding it would prevent other competitors from entering the German market for pay televi-

Using for only the second time

its powers to block joint ventures, the Commission competition authorities argued that the deal was incompatible with the single market. At stake was a proposed ven-

ture between Bertelsmann, the world's second largest media group; the Kirch group, one of intended to set np a company -MSG - to provide infrastructure, marketing and booking services for commercial pay-TV.

Some sections of the multimedia industry said the Commission's decision would frustrate the development of multimedia services in Europe. "A practical entrepreneurial

attempt to create a market of the future has been prevented," Kirch said. "The decision means that the creation of a digital communications infrastructure with the required management will in July, the Commission

Telekom. The companies dominant position in the German already receive television hy pay-TV market.
"In principle a joint venture

like MSG is desirable because it is able to implement new technologies such as digital television," said Mr Karel Van Miert, commissioner with special responsihility for competition policy. But the structural features of MSG would lead to a protection of the market for services as well

as for digital pay-TV."
The market for pay-television programmes and services is expected to expand as digital television is introduced. The Commission said the prospects were particularly good in Germany

of about nine times expected 1995

Mr Alphandéry said he was

confident the government's pri-

Germany's biggest private television companies; and Deutsche ing the venture could create a because of the high number of merger partners are the only peotechnical and administrative capabilities to run ness," it said. cable or satellite. Rertelsmann said vesterday the

Commission's ruling had, in the Mr Van Miert denied the ruling short term, closed possibilities represented a sethack for for many smaller programme producers to access future television technology. "At the moment the

Continued on Page 18

Brussels closes gateway, Page 3

When it comes to

judging the financial markets,

London market report, Page 31 Currencies, Page 36

## Renault share sale likely to be oversubscribed, says minister

By John Ridding and

The public offer for shares in Renault, which closes tonight, is likely to be oversubscribed. Mr Edmond Alphandéry, the French economy minister, said yester-

Private investors are heing allotted the majority of the shares on offer in the partial privatisation of the motor group and first estimates of private demand had been encouraging despite depressed stock market condi-

tions, Mr Alphandery said. However, the retention hy the French government of just over 50 per cent of Renault could also limit the number of private applications, he added.

"I am confident about the operation," he said, although he indicated that the level of subscriptions could be less than in previous privatisations. Final figures on applications will be Previous issues in the govern-

ment's programme of privatising 21 publicly-owned groups have attracted strong demand from private investors. Elf Aquitaine, the oil group, drew 3m investors when it was privatised earlier this year, and Rhône Pouleuc, the chemicals and pharmaceuticals company, drew 2.9m when it was

Institutional investors have also shown strong demand for the privatisation issues. In the case of Renault, the shares allocated to institutions have been subscribed more than 15 times. Some bankers said that individ-

ual demand for Renault shares was weaker than for previous privatisation issues, but most industry analysts helieved the issue would be fully subscribed, partly because of its pricing. At FFr165 per share, Renault is valued at just under FFr40hn

(\$7.8bn), lower than the FFr45bn to FFr50bn valuations given by some motor industry analysts.

The pricing gives Renault a rela-

tively modest price/earnings ratio CONTENTS

vatisation programme would maintain momentum. Including the receipts from Rengult, the sale of public sector assets has already netted the government about FFr103bn, he said.
According to Mr Alphandery, sold at the end of 1993. Assurances Générales de France. the insurance company, will be

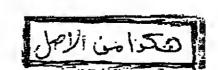
sold as soon as market conditions permit. The sale of the company has been delayed by the sharp fall in its share price, resulting from the impact of higher interest rates on its bond portfolio. Mr Alphandéry has started the pro-cess of appointing adviser banks for Seitz, the tobacco company, but no date for the sale has been

French privatisation has gone more smoothly than public sector asset sales in some other countries. Mr Alphandéry noted, but demand for some of the early issues had been abnormal.

Tradional Coboss

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Here's a tax- make serior	<i>y</i>
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## Kinnock revs up in lay-by

The European Union's next transport commissioner is eager to get motoring, write David Gardner and Lionel Barber in Brussels

straining at the leash. Maybe it EUROPEAN is the INTERVIEW of leaving behind British politics for lusher European pastures, but this week the former leader of the UK Labour party was in abullient mood as he spoke about his new job as EU commissioner for transport.

Commissioner Kinnock, who starts work in January, likes the transport portfolio. After all, ordinary European citizens can relate more readily to good, cheap, safe trans-frontier travel by air, road, rail or sea, than to the often opaque debate about the future of

sport is something tangible," said Mr Kinnock in an interview, "it can bave an application literally at street

evel." Over the next five years, be believes "there is a real job for advocacy and advocates" of Europe. His warm, folksy manner will help make Europe more relevant; but ever conscious of his reputation back home as the "Welsh windbag". he knows that "going for the flamboyant phrase" will not be enough to win credibility.

"Before the headline term is public and private partnership sed we need a strategy for its "on a scale that has never been used we need a strategy for its delivery." he says soberly. Without that, this [Commission will always look like a well appointed rest home for

It is too early to pin down cific policies. But he is clearly aware of the two toughest challenges in his in-tray: development of the trans-European networks (TENS), the multibillion Ecu road, rail and other transport projects designed to link Europe's single market; and state aid cases, particu-larly among some of Europe's cosseted airlinas, which threaten to distort that market.

The TENS (like the Channel tunnel which be used to get to Brussels this week) are seen as job-creators in their own right, assuming up to Ecu400bn (£312bn) is spent over the next ade or so. But they are also the key to strengthening EU competitiveness and "shrinking" the continent. Mr Kinnock ninds listeners that in the mid-19th century, "single mar-kets were created by a transport revolution" in Britain, France and Germany. "The next 40 years will see us go through a similar process" at

continental level, through a

db/Analyst 2.0

seen before".

While acknowledging the concerns of Europe's eco-lobby, he says the Greens must not be allowed to halt judiciously planned projects which will help save billions and hillions wasted time and fuel" on Europe's clogged highways.

On state aid, the former Labour leaders seems surprisingly hawkish, even going as far as to hint that he may revisit the Commission's recent approval of FF20bo (£2.4bn) in fresh state aid for Air France, the beleaguered national carrier.

"As far as I'm concerned (Air France] is an ongoing story. No decision could reasonably have been expected to be final, could it?" he says.

The Air France aid is under challenge in the European Court from a British Airwaysled coalition. It is only the largest sum in a torrent of government finance to national airlinas which Brussels is allowing in exchange for "last chance" restructuring plans.

Mr Kinnock believes a fine judgment has to be made between subsidies which "are appropriate for the maintenance of vital services, or where they are giving an unfair competitive advantage". But ha insists: "Unfair advantage has got to be taken

more like the UK's senior comoussioner. Sir Leon Brittan, than Mr Bruce Millan, the former Labour cabinet minister wbom he is replacing. Sir Leon has repeatedly trumpeted his own and the Union's successes in competition and trade policy; by contrast, Mr Millan is almost allergic to publicity.

Yet Mr Millan, a former secretary of state for Scotland, is widely credited with running a tight ship and making a success out of the EU's regional

Asked whether he will be at a disadvantage in Brussels, never having run a ministry in the UK, Mr Kinnock replies: "I would say, modestly, yes." But then, he smiles, "there are not many government departments that equate to the Labour

So what are the main qualities a commissioner needs to do a good joh? For a moment he hesitates, then reaches for Antonio Gramsci, the Italian Marxist thinker, who spoke of the need to combine "optimism of the will, with pessimism of

Neil Kinnock: "Transport is something tangible; it can have an application literally at street level."

the intellect". More practically, he admits that it also helps to be well connected with his Euro-Socialist confrères, who number 10 on the 21-strong

Mr Kinnock is clearly delighted to be able to team up with his wife. Glenys, who pre-ceded him into Europe and is already establishing a prominent voice as a newly elected European parliament member. He intends to make his views

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known across "a fairly broad spectrum", from monetary union, through social policy, to EU expansion and reform - all issues that spark warfare amoog Britain's governing Conservatives. "There will be occasions," he says quietly, but be does not see himself primarily as a Brussels adjunct to the UK's tortured domestic debate on Europe. Advocacy, yes; but "the soap-box is not in my bagEUROPEAN NEWS DIGEST

## UDF members threaten revolt

Leading members of France's centrist UDF, part of the centre-right governing coalition, warned yesterday they could back a candidate from another party in next year's presidential elections. The statement, by former industry minister Gérard Longuet among others, said they would not be bound to support a candidate from party ranks if it obstructed a single candidate from the coalition. The statement reflects a move by many in the party to support Mr Edouard Balladur, the prime minister and a member of the Gaullist RPR party, rather than Mr Valery Giscard d'Estaing, head of the UDF. rather than Mr Valery Giscard d'Estaing, head of the UDF.

Polls show Mr Balladur ahead of Mr Jacques Chirac, the RPR leader and tha only serious contender yet to bave announced his candidacy. However, an RPB party congress has been called for next weekend to endorse Mr Chirac's candidacy. John Ridding, Paris

#### Czechs set EU target dates

The Czech Republic is to apply to join the European Union in 1996 and expects to be a member by 1999, Mr Václav Klans, prime minister, said yesterday. Membership talks are expected to begin after the EU inter-governmental conference in 1996 which is to set the ground rules and timetable for membership for the countries of central and eastern Europe. Mr Klaus said the government would establish a special committee on January 1 to oversee the application. The Czech Republic will join Poland and Hungary as the first post-communist countries to be considered for membership. Hungary and Poland have already applied. Vincent Bolond, Prague

#### Bosnian Serbs strike back

The Bosnian Serb assembly yesterday met to declare a state of war amid claims of Serb military gains against Moslem forces in the north-west. The United Nations yesterday confirmed that Bosnian Serbs had re-taken territory round the Bihac pocket, a Moslem enclave designated a UN safe area. Yester-day's meeting comes after Serbs have lost some 800 square kilometres of land in north and south-western parts of the country. Bosnian Serb political and military leaders last week recommended the assembly proclaim a formal state of war. They also declared a general mobilisation. After 31 months of war, it is unclear what new measures Bosnian Serb chiefs would take if the declaration is made. But it would probably increase their already tight control over the self-styled Serb state as it could include rule by decree or martial law.

The Moslem offensive, launched two weeks ago, has raised fears of an all-out war as renewed fighting broke out on several fronts. Sarajevo yesterday suffered its worst day of fighting for several months. Mr Thant Myint-U, UN spokesman, denounced as "disgraceful" the sniper and mortar attacks which killed two teenage girls, a woman and a young boy in the Bosnian capital. In an attempt to salvage a ceasefire which has broadly held since February around Sarajevo, Gen-eral Sir Michael Bose, head of UN forces in Bosnia, yesterday "urgently" summoned the commanders of the warring sides to the city airport. Laura Silber, Belgrade

#### More Russian cabinet changes

Russia's prolonged cabinet shuffle continued yesterday with the appointment by President Boris Yeltsin of two new deputy prime ministers: Mr Oleg Davydov, the foreign trade minister, and Mr Alexei Bolshakov, an industrialist. Mr Yeltsin said the changes were part of a broad effort to bring "professionals and not politicians" into the government. But Russian observers, perplexed by a week of new appointments and resignations which appear to have favoured reformers and conservatives in equal measure, are interpreting the changes as part of a complex power struggle between Mr Yeltsin and Mr Victor Chernomyrdin, his prime minister.

By replacing Mr Alexander Shokhin as deputy prime minister, Mr Davydov – who upset markets over the summer with an impromptu demand for debt forgiveness – will assume responsibility for all of Russia's foreign economic negotiations. Mr Bolshakov is to be responsible for relations between Russia and other members of the Commonwealth of Independent States. He is a favourite of the conservative parliament and is expected to strengthen the "red barons", the former Soviet reformers in the cabinet. Chrystia Freeland, Moscow

#### German health insurance call

The German government yesterday called on statutory health insurance bodies to cut contributions paid by workers and employers by January 1995, prompting a sharp reaction from the federation of health insurance funds (AOK). A government statement said contributions - averaging around 13 per cent of salary, divided equally between workers and employers should be lowered because the new state scheme of care for the aged would relieve the insurance funds of the need to support those needing special care after next April. However, the AOK said contributions had been reduced last year and more than DM2bn (\$1.3bn) passed on to individuals and employers. The AOK said it had no financial reserves which would justify cutting contributions, but would consider cutting them again in 1995. Andrew Fisher, Frankfurt

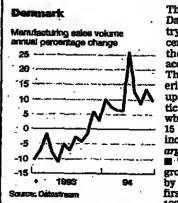
#### Two left in Spanish phone race

Last minute withdrawals in the contest to enter the Spanish mobile telephone market have narrowed the field to two consortia, which will deliver their bids on Monday. The licence, to be awarded before the end of the year, is the first significant step in a deregulation process that, over the next three years, will introduce cabla television and end Telefonica's monopoly as a national basic telephony operator.

The latest defections include Repsol and Gas Natural, the The latest defections include Repsol and Gas Natural, the two leading Spanish energy companies, and the US operators BellSouth and GTE. A rapid realignment leaves two consortia. One has Air Touch of the US and BT of the UK as its technological partners and is backed by Banco Santander and Banco Central Hispano as principal shareholders; the other groups the UK's Racal Vodafone and Germany's Veba with Banco Bilban Viscaus and retail chain Corte Inglés and media Banco Bilbao Vizcaya and retail chain Corte Inglés and media group Prisa among other partners. Tom Burns, Madrid

#### **ECONOMIC WATCH**

#### Pick-up in Danish industry



The volume of deliveries by Danish manufacturing indus-try increased by about 10 per cent in the third quarter from the sama period last year, according to official statistics. Third quarter export deliveries (in current prices) were up by 10 per cent and domes tic daliveries by 9 per cent, while new orders were up by 15 per cent. Producer price increased by 1 per cent. Hilary Barnes, Copenhagen Tha European Union's gross domestic product rose by a real 0.9 per cent from the first to the second quarter of

1994. Italy, at 1.4 per cent, recorded the largest rise; Germany's was the smallest at 0.5 ■ Producer prices in Germany were unchanged in September from the previous month and were 0.8 per cent higher than a

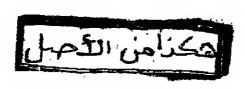
vear earlier. France's current account showed a seasonally adjusted defi-cit of FFr291m (£34.6m) in August after a FFr7.65bn (£911m) surplus in July.

Shine a spotlight on risk

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**Deutsche Bank** 





#### **NEWS:** EUROPE

Technology may be running streets ahead but Germany's MSG venture finds a dead-end

## Brussels closes off a multimedia gateway

By Emma Tucker in Brussels

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A tongb application of European competition law led yesterday to the blocking of a pay-television joint venture between two German media companies, Bertelsmann and the Kirch group, and the state telephone monopoly – as the Brussels Commission moved to to prevent what it saw as a potential distortion of three

But if the decision looked good for competition, it raised questions about the development of multimedia in Europe. and whether the Commission was trying to control an essentially uncontrollable and speedily evolving industry.

For the Commission, the decision was clear-cut. "If you have big players dominating the gateway to a market, then you have to intervene," said a Commission official yesterday. "We have to ensure that no one shuts off the potential for new players coming in."

Mr Karel Van Miert, the competition commissioner. said Brussels blocked the deal because it considered, after discussions with more than 100 companies and industry bodies, that the proposed concentration was likely to create or reinforce a dominant posi-

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tion in three separate markets. First Rerfelsmann and Kirch would dominate the market for pay-television services, distinct from traditional televisico, as it is mainly financed hy subscribers. The market is a potential pot of gold since from next year, digitalisation is expected to lead to an explosion in the number of pay-TV

programmes Second, MSG - as the proposed merger was known woold have dominated the market for the technological services associated with pay-TV operators, limiting if oot preventing the cotry of competitors. These services include the provision of decoders, leased to subscribers to unscramble those services for wblch they have paid. They also include "access control systems" which enable operators to restrict pay-TV channel reception to subscribers.

Third, the Commission argued that the merger would have allowed Deotsche Bundespost Telekom, the state telephone monopoly, to reinforce its dominant position in the market for cable oetwork services. Mr Rolf-Dieter Leister, chairman of Deutsche Telekom's supervisory board, reacted by saying he considered the decision a blow for



the German pay-television market. "We want to get a market moving which hardly exists in Germany and Europe, otherwise this technology will be introduced in Germany Industry analysts agreed

that outdated competition and ownership rules, as applied by national governments and the Commission, could hinder the development of an indostry where technology is running streets ahead of government tbiokiog. "The message to

that here is yet another thing which is going to delay the generation of revenue from the digital superhighway," said Mr John Scaife, media consultant at Charon Capital in London.

The key to development, argues Mr Scaife, is the combination of delivery networks together with ownership of programmes and films.

Soch a combloation would allow companies to package services to customers, offering them, for example, both telephone and television services to justify the price of subscription.

Yesterday, the Commissioo was adamant. "Telekom owns most of the cable network in Germany and cootrols its development," it said. "It also controls the return channels necessary for interactive services, and has direct access to more than 4m cabled housebolds; Bertelsmann and Kirch already have Premiere and own incomparable programme resources; moreover, Bertelsmann is a major operator of book clubs."

"No competitor has such advantages nor could reasonahly enter the MSG market,"

Last-minnte coocessioos

were not accepted by the Com-mission. These included development of a system whereby competitors could bave used the decoders, and an undertaking not to discriminate against other pay-TV operators when it came to renting contracts

for decoders, and use of commercial information. "These undertakings are in fact a mere declaration of intent not to abuse a dominant position on the market for administrative and technical services to the detriment of competitors," said the Com-

Lastly, MSG undertook to develop the digital cahle network to ensure that there was no shortage of transmission

This too was rejected by the Commission, as too difficult to check and already linked to the regulatory obligations imposed on Telekom.

With the development of digital TV technology set to transform television services over the next few years, the Commission is likely to have to consider other complicated multimedia cases. But as the technology changes and evolves, consideration may need to be giveo on how best to apply competitioo rules.

for with bank debit or credit

cards. The main advantage of

the E-Cash format to users is

that it enables them to conduct

their Internet transactions in

digital coin is calculated

according to a mathematical

formula devised by DigiCash.

This ensures that the bank

sees a scrambled version of the

The numerical code on each

privacy.

# Battle joined for WEU post

Bruce Clark on differences within Europe's defence club

The transformation of the ing in the Natherlands of WEU nine-nation Western European Union into a full blooded defence club will get under way today with an ill tempered contest for its top joh.

Whoever wins the race to become WEU secretary-general will have to reconcile differences betweeo Britain and many of its continental partners over the route and pace of Europe's path towards greater self-sufficiency in defence.

The winner will also he struggling to settle another, even tougher argument between the WEU, including Britain, on the one hand and the US on the other - over the terms on which the US will "lend" military hardware to

European defence missions. Having failed to reach consensus on who will be the next secretary-general, ambassadors of the nine member states will be voting in Brussels on Italian, Portuguese and Spanish candidates. If there is dead-lock, the Dutch incumbent, Mr Willem van Eekelen, could

remain in office. The job seems certain to be a substantial one, because the principle of reviving the WEU as the European pillar of Nato, and the defeoce arm of tha European Union, is no longer questioned by any of its mem-

The 40-year-old WEU which groups all EU members except Denmark and Ireland, and will soon incorporata Greece - binds its members to defend one another in even stronger terms than the founding treaty of Nato.

But in practice, Nato has largely overshadowed the European club, at least until last January when the US told its allies to take more responsibility for their own defence. The candidates for the WEU

job are two diplomats - Mr Giovanni Jannuzzi of Italy and Mr Jose Cutilheiro of Portugal - and Mr Enrique Baron Crespo, a Spanish Socialist pol-

itician. If today's vote yields a clear result, tha winner will be endorsed at next week's meetforeign and defence ministers. which will also hear calls for rapid progress towards a common European defence policy.

Britain, which used to argue that a strengthened WEU would alienate the US, is now stressing that it fully supports the idea of giving the European body some extra punch. In practice, that would

mean that cartain defeoce tasks - in which the Europeans wanted direct involvement but the US did not would be shouldered by the WEU, which would borrow US military hardware from Nato

as oecessary. However, the US wants to retain considerable say in any missions for which it is providing military assets, and ideally the right to pull its equipment out if a more pressing need arises alsewhere.

The French - and, as of recently, the British - argue that the new arrangement will work only if the Europeans can count on being able to borrow Nato's military hardware whenever it is required.

There would have to be a presumption, at least, that Nato assets would be available," said a UK diplomat.

Despite moving closer to France on some issues, Britain is putting the brakes on proposals to issue a toughly worded statement on a common European defence identity in the near future.

It says this would pre-empt preparations for the 1996 conference on the future of the European Union.

London is also talking down the idea of an early 24-nation summit grouping the WEU's full members and nations with associate or observer status

In today's vote, Mr Cutil-heiro expects the backing of Britain and probably the Netherlands, while Mr Jannuzzi enjoys French support and is hoping that the Germans - waverers until the last minute - will rally to his cause. UK diplomats have hinted that they would prefer Mr Jannuzzi to Mr Baron.

## \$1m to give away – in cyber-bucks

the trial by allowing the Digi-

Cash volunteers to pay for

By Alice Rawsthom

Wanted: 10,000 cyber-junkies to participate in an experiment to test a new electronic payment system specially designed for use on the Internet. Each volum teer is required to spend \$100 in cyber-bucks during the experi-

DigiCash, an Amsterdambased company that specialises in developing new electronic casb payment systems, has invented a form of digital money with which people can pay for products or services bought on the Internet, the international system of com-

Mr David Chaum, a former academic who taught at University of California and New York University before becom-

ing managing director of Digi-Cash, said the digital payment system - dubbed E-Cash - had beeo devised for use by con-ventional banks as an alternative form of payment on the

their products in apocryphal 'cyber-bucks' using the E-Cash system. During the trial DigiCash is

During the trial each volunteer can withdraw \$100 from the DigiCash bank in digital coins, each of which is in the form of a numerical code

Internet that protects the privacy of the user. DigiCash has for the past week been operating E-Cash on an experimental basis. A num-

giving away a total of \$1m in cyber-bucks to up to 10,000 volunteers, each of whom will be allowed to spend \$100. Each participant can withdraw their ber of commercial companies, \$100 from the PigiCasb 'bank' including Encyclopedia Britanin 'digital coins', each of which nica and Wired, the technology is in the form of a numerical magazine, are participating in

If the volunteers want to the internet are currently paid access an article from Wired on the Internet, they pay for it with digital coins. Wired then verifies that the payment is valid by checking the numerical code of each 'coin' with the DigiCasb bank through the Internet. If the bank approves, the purchase goes

DigiCash hopes that commercial banks will offer E-Casb as an alternative to their standard payment systems. Mr Chaum said he hoped soon to conclude negotiations with a IIK hank which is interested in introducing E-Cash. A conventional bank would operate the system in the same way as the DigiCash bank in the

Commercial transactions on

user's original code and therefore, although it validates each 'coin', it does not monitor individual transactions. So far the E-Cash trial is going very well, according to

DigiCash. After only one week on-line it has signed up 1,000 volunteers and new recruits are flooding in at the rate of 80

From

Hyundai Business Group, with over US\$ 58 billion in sales, continues to grow in a wide spectrum of business areas.

From next generation 256M DRAM chips to satellite communications, creating tomorrow's global information superhighway. From a full line

of passenger cars to all types of commercial vehicles. From

machine tools to the magnetic levitation train, the ideal mass transit system of the future. From turnkey engineer-

ing and construction projects to petrochemicals with advanced new material. From super tankers to some of the

> most sophisticated LNG carriers. Hyundai, with more than 30 R&D centers, working together,

creating innovative synergies, innovative products.

## Losers and winners in polls which dealt a severe blow to Clinton and the Democrats



## seismic takeover for the Republicans

By George Graham in Washington

Even if the Republican party had fallen short of complete control of the Senate and the House of Representatives, the congressional power struc-ture was already well on its way to a substantial shake-up because of the retirement and defeat of a number of party leaders and powerful committee

But with outright majorities in both chambers, the Republicans will make a seismic takeover of the committee

Most Republican candidates for House seats signed the "Contract with America" prepared under the leadership of Congressman Newt Gingrich, the architect of the Republican victory, who will almost certainly take over as Speaker of the House.

The Contract pledges to bring to the House floor in the first 100 days of the new Congress 10 substantial bills, including measures to cut income and capital gains taxes, increase defence spending, provide for a balanced budget amendment to the constitution, toughen penalties for criminals, cut back on welfare payments and set

term limits for members of Congress. But many House candidates have been running away from the details of the Contract - and even its chief draftsmen say they promise only to bring these measures to a vote, not to

Kennedy clan

bucks the trend

While many Democrats were buried in Tuesday's landslide,

Kennedy clan candidates proved resilient, writes Nancy

Dunne, Senator Edward Kennedy, the family's patriarch, was

in danger of losing his Senate seat for the first time since 1962

but ultimately won handily against a young, telegenic political

neophyte, Mitt Romney, son of a former Michigan governor

and presidential candidate, George Ronney.

Senator Kennedy was once halled by President John Kenn-

edy as the best politician in the family. Now aging and overweight, he rallied former aides and old friends to his

Four members of the younger Kennedy generation also were

in contests. Two ran and won seats in the US House of

Representatives – Joseph Kennedy, son of the slain Robert, in Massachusetts, and Patrick Kennedy, son of Edward, in Rhode

Island, Mark Shriver, son of the first Peace Corps director Sargent Shriver and Eunice Kennedy, won a seat in the

Maryland House of Delegates. Kathleen Kennedy Townsend,

daughter of Robert, is in a race for Maryland lieutenant

The younger generation of Bushes, sons of the former presi-

dent, had a win and an apparent loss. In Texas, George W Bush, the eldest son, felled Governor

Ann Richards, who once ridiculed President Bush for having

been "born with a silver foot in his mouth." Although a

popular incumbent, Ms Richards proved susceptible to a

Republican tidal wave powered by promises to reduce taxes and crime. Mr Bush, owner of the Texas Rangers baseball

team, won on his first try for office. The attractive, prolific

Bush children and grandchildren, played major roles in their

Another Bush son, Jeb, apparently lost in a very close race against Florida Governor Lawton Chiles. In a long political

An amazing political resurrection was achieved by Mr Marion

Barry, who regained the Washington DC mayoralty four years

after leaving office to serve a six-month prison sentence on drug charges. Widely seen among African-Americans as just one of a series of hlack public officials targeted by a white

prosecutors, he drew support from many middle class blacks, who might otherwise have opposed a disgraced public official. His opponent, Ms Carol Schwartz, turned in a surprisingly

strong showing for a white Republican, winning about 44 per cent of the vote in a city that is 10-1 registered Democrats.

Around the country, voters cast ballots on dozens of measures over issues ranging from healthcare to gambling and false

In Oregon, voters were close to allowing doctors to assist in suicides of the terminally ill. In California, voters rejected a taxpayer-funded state healthcare system and a referendum,

backed by the tobacco industry, which would reverse local

smoking curbs. Limits on the terms officials can serve passed in five states - Alaska, Idaho, Maine, Nebraska and Nevada. A

total of 21 states have now approved congressional term limits, but the initiatives are subject to constitutional challenge in

Term limits vary from state to state. Colorado limited

congressmen to three consecutive terms. Nebraska imposed limits of three consecutive House terms or two consecutive

Senate terms. Nevada voters would limit senators to two

senate terms. Nevada voters would make schalifs to two six-year terms and House members to three two-year terms. Florida voters defeated a proposal to legalise gambling castnos. In Washington state, dental technicians won permission to fit and install false teeth, a right now limited to dentists.

Health, gambling and false teeth

career. Chiles - a former senator - has never lost a race.

Resurrection for Marion Barry

standard and mortgaged his house to raise funds.

governor that yesterday was too close to call.

Win and lose for Bush sons?

**ELECTION DIGEST** 

Republican Senators have also been sceptical about the proposals, which do not include specific spending cuts to meet a balanced budget require-ment, and the Republican leadership structure in the Senate is likely to be much more moderate, particularly on

Senator Bob Dole, the Republican leader, will be flanked by Senator Phil Gramm, a right winger with unconcealed presidential amhitions who chairs the Republicans' Senate cam-

Other right wingers will take over some important posts, notably Sena-tor Jesse Helms, the extreme conservative from North Carolina at the head of the foreign relations committee, and Senator Alphonse D'Amato, the Republicans' chief attack dog on the Whitewater issue, as chairman of the banking committee.

But major economic policy posltions in the Senate will be held by some of the party's leading moder-

Senator Robert Packwood, although politically weakened by charges of sexual harassment which are still under investigation, is expected to chair the Senate finance committee. with jurisdiction over all tax-related matters. However, Senator Gramm has hinted that he might seek to elbow Mr Packwood aside. Mr Packwood's fellow Oregonian, Senator Mark Hatfield, will take over the appropriations committee, which con-

trols government spending. Moderates will also bead the labour committee (Senator Nancy Rassebaum) and the environment and public works committee (Senator John Chafee). Senator Larry Pressler, a stiff-necked South Dakotan with an unpredictable set of beliefs, will take over the commerce committee, where he is likely to be much more of a free trader and much less of a regulator than Senator Ernest Hollings, the cur-

Perhaps the determining factor in the direction of the Republican Congress will be the influence that Senator Pete Domenici of New Mexico manages to wield as chairman of the budget committee. A fiscal conservative, almost to the point of obsession. Mr Domenici has been one of the few Republicans willing to contemplate unpopular measures such as tax increases and cuts in entitlement programmes such as social security and Medicare in his desire to control the

budget deficit. Mr Domenici is therefore likely to play a central role in curbing the more wayward Republican promises tax cuts and in tackling the long-term fiscal imbalance that the US faces in the next century if It does not alter the terms of social security and Medicare.

He is aligned with his House Republican colleagues on the need for a

them over the supply side premises of the Contract with America's tax cut proposals. Congressman Dick Armey, the chief backer among the House Republicans of a flat income tax rate, says the cuts will cost \$130bn to \$150bn, but says the Republicans will simply change the way the Congressional Budget Office scores tax measures to assume that tax cuts will pay for themselves by stimulating the economy - a logic which failed to balance the budget in the Reagan era.

Mr Armey currently ranks third in the Republican hierarchy, but with the retirement of Congressman Bob Michel, the current minority leader, and the elevation of Mr Gingrich to Speaker, he is likely to take the number two post of majority leader, now held for the Democrats by Congressman Richard Gephardt.

He will he backed on most tax issues by Congressman Bill Archer, a fellow Texan who will probably become chairman of the House Ways and Means committee, and by Congressman John Kasich, who will take over the budget committee.

In some other key House committees, however, the Republicans are expected to override the normal seniority rules that have prevailed in

At the appropriations committee, Congressman Joseph McDade is the senior Republican but his indictment

on corruption charges is expected to block him from the chairmanship. The second ranking Republican, Congressman John Myers of Indiana, may be too moderate for the taste of the new House majority.

Congressman Jim Leach of lowa, a moderate but another leader of the Whitewater pursuit team, will become chairman of the banking committee and Coogressman Benjamin Gilman of New York, one of the most centrist members remaining in the Republican party, will chair foreign affairs.

But Mr Gingrich is expected to push for a close ally, Congressman David Dreier of California, to bead the Rules committee, which plays a crucial role in deciding which legislation comes to the floor, and with what amendments, rather than Congressman Gerald Solomon, who is now the senior Republican member of the committee.

Congressman Tom Bliley of Virginia, and not senior Republican Carlos Moorhead, is also expected to take over the energy and commerce committee, the barony created by the all-powerful Congressman John Dingell. Mr Dingell's loss of the chairmanship could prove one of the most important changes. His claim to juris-diction over virtually everything has blocked many legislative proposals, and his departure could pave the way for the measures such as repeal of the Glass-Steagall act, which separates

Republicans make sweeping gains



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is being depicted as "a budget has little doubt that Mr Dole will in the end co-operate with the president on Gatt. "Dole trade...I don't think he'll turn his back on the Business

5.014 Roundtable or agribusiness." Opponents are arguing that "the fired and retired" mem-ARAUTO 1 0 bers who return for the "lame duck" session have not the right to vote on an issue of such economic importance as the Gatt package. They are 

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## Scramble to get Gatt through

By Nancy Dunne

Mr Newt Gingrich, the new House Speaker-to-be, has promised to work with the Clinton Administration to pass the Uruguay Round implementing legislation when it comes up for Congressional approval in three weeks, according to a senior White House official.

Mr Leon Panetta, White House chief of staff, said in a CNN interview yesterday Gatt passage, tha first test of bi-partisanship in the new order, would "send a very important signal" which the president could carry into summits with the Pacific Rim countries next

week and Latin American leaders on December 9-10. However, that signal has yet

who will become Senate majority leader. Business lobbyists taxes or programme cuts. Senyesterday were scurrying from ate rules require 60 senators to strategies to secure passage this year. It is the outgoing Democratic-controlled Congress which will vote on the Gatt legislation, but party labels matter little on trade. Populists on both sides of the political divide are opposing the proposed World Trade Organisation, which the Uruguay Round creates. The implementing legislation

buster," riddled with protectionist clauses and "sweetheart to be sent directly by Mr Cing-rich or Senator Robert Dole, of the projected lost tariff revedeals." At least \$40bn (£24.3bn) nue has not been offset by new implementing legislation can go to the floor.

Mr Dole is reported to have said he would like the legislation re-written next year, but that was before the mid-term election. He has since made conciliatory noises about bipartisan co-operation.

Mr Mark Anderson, trade specialist at the AFL-CIO, the labour umbrella organisation,

alert for signs of business payoffs to congressmen and congressional staff in search of new jobs. Pro-Gatt lobbyists believe the election has left members free "to vote their

has a long history on free

consciences".

## Big money still garners the big vote

Money has always talked in US elections, and it spoke as loud as ever this year in the most expensive campaign on record. With a few notable exceptions, candidates with the most money to pay for television advertising, direct mailing and telephone campaigning won their races, and lobbying groups that helped finance them are looking forward to an open door at their Washington

Republicans won all nine Senate seats left open by retirements, and in seven raised more money than their Democratic opponents. In the two

advantage was not crushing. Republicans who unseated incumbent Democratic senators in Tennessee and Pennsylvania also ontraised their opponents. Mr Rick Santorum, in Pennsylvania, drew heavily on the political action committees, or PACs, through which companies and lobbying

groups donate to candidates. PACs have in the past heavily favoured incumbents, regardless of party. But Republican leaders have been twisting arms beavily recently, warning lobbyists they would be frozen out if they continued

Oklahoma, the fundraising National Rifle Association, which turned its fury on several old allies who had voted for President Bill Clinton's crime bill

The NRA's most prized trophy would be Congressman Tom Foley, the Speaker, who also voted for the crime hill and who was fighting to survive in in Washington state.

Many candidates, however, dipped deep into their own pockets to pay for their cam-paigns. By the end of October, according to Federal Election Commission returns, Senate candidates had spent more than \$50m (£30.4m) of their own money. Half of that came

who took his Texas oil fortune to California to run against Senator Dianne Feinstein. He lost, but the \$25m he spent took him close to uprooting a popular and effective senator. spite his non-existent record of achievement, vague political views and employment of an illegal alien as his nanny.

Ms Feinstein had to spend \$2.35m of her own but mostly raised money from PACs. One oddity was Mr Ollver North, controversial former marine who lost his bid to oust Senator Charles Robb in Virginia. Mr North raised more than \$15m. four times as much

Southerners have previously said that they would 'rather vote for a yellow dog' than a Republican

## South becomes cornerstone of House takeover

By George Graham

The cornerstone of the Republican takenver of the House of Representatives was a sweeping change in the southern US.

Ever since the Civil War, the South has traditionally shunned President Abraham Lincoln's Republican party. Most southerners said they would "rather vote for a yellow dog" than a

Southern Democrats stood far to the right of their northern colleagues in their political views, blending social conservatism with heavy pork barrel spending.
Since the 1960s, when the

Democrats became more closely identified with the fight for black civil rights, the Republicans have made inroads in the Deep and the border states such as Kentucky and Missouri. They started with presidential elections, in which southern states have generally favoured Republican candidates from Senator Barry Goldwater onwards, and continued in statewide elections for governor and senator.

That trend carried on in Tuesday's elections, with Republican candidates taking over as governors in Alabama, Tennessee, Kansas, and with both Tennessee Senate seats moving into the Republican column. Tennessee's new governor is the first the state has ever elected who was born north of the Mason-Dixon line, the traditional divide between North and

Perhans as telling, the Republicans were able to hold on to the governorship of South Carolina, though by the narrowest of margins, even though their candidate, Mr David Beasley, aroused hostility with radical rightwing positions backed by a Christian evangelical coalition.

One rare success for the Democrats was Governor Zell Miller's successful campaign for re-election in Georgia, defeating the strongest challenge the Republicans have mounted in that state since the Civil War. But Republicans have in the past

found it much more difficult to make headway at the local level, leaving the Democrats dominant in the House of Representatives, as well as in state legislatures and county courtho "Used to be, if you wanted to win, you ran in the Democratic primary," says Mr Bernie Castleman, who is the

only Republican commissioner elected in his Tennessee county in the That began to change in this elec-

tion. Helped by the retirement of old Democratic legislators such as Congressman Jamie Whitten of Mississippi, the Republicans gained 11 House seats in five deep South states, three more in Oklahoma, two in

The biggest swing came in North Carolina, where the cigarette tax proposed in President Bill Clinton's althcare reform plan added to the Democrats' problems in tobacco-

growing districts.

North Carolina also provided perhaps the most striking evidence of a lasting change in the South's party alignment: a Republican takeover of the state house and Senate - the first time this century that they have con-trolled a state legislature in the South. They also wen control of the Florida Senate.

Many southern Democrats have voting records in Congress that are closer to the Republicans than to the rest of the Democratic party, and some are expected to follow Senator Richard Shelby of Alabama's party switch yesterday. Congressman Newt Gingrich has warned that the Republicans will target conservative southerners who do not switch sides in the

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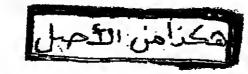
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1996 election. And with the "yellow dog Demodidates will feel in years to come that they can run as Republicans and have a good chance of winning. Southern Democrats are now as

likely to be relatively leftwing black or Hispanic politicians as conservative "boll weevils".

The South's realignment could also move the Democratic party further to





eeping gains

VEMBER 16 1984

Patrick Harverson in New York

New York city turned out in force on Tuesday to vote for Mr Mario Cuomo, the state's governor for the past 12 years and a giant on the national political stage. The trouble for city dwellers was, the rest of the state did not.

The narrow vote which ousted the 62-year-old Mr Cuomo, installing in his place Mr George Pataki, a little-known Republican, revealed a starker division between voters in the city and those in the suburbs and upstate New York than at any of the previous three elections, all of which Mr Cuomo won.

It also threatens to usher in a turbulent period in relations between state and city in New York - and a degree of animosity that could turn the city's current hudgetary problems into a bigger headache. The reasons for Mr Cuomo'a

defeat are not difficult to identify. "The New York economy has dramatically lagged behind tha national recovery," aays Mr David Schulman, an economist at Salomon Brothers in Manhattan. "And Cuomo has The second consideration

By Jurek Martin in Washington

illegal immigrants.

tion day.

The action moved from the ballot box

to the courtroom yesterday as law-suits were filed in California to inval-

idate the electorate's approval of the

referendum denying social services to

The measure, known as Proposition

187, passed easily, by 59-41 per cent. This was pretty close to the margins

when it first qualified for the ballot in the summer and much bigger than projected in surveys just before elec-

Strength of support for the Propost-

tion was clearly a contributory factor

in the easy re-election of Governor

Pete Wilson over Democratic con-

tender Ms Kathleen Brown and to the

narrowness of the defeat of Republi-

ided in public opinion polls

bringing to a halt one of the most prominent liberal Democratic political careers in the

Mr Cuomo's accomplished oratory and political skills finally wore thin with an elec-torate which has failed to see

The question now is whether the victor will take revenge on New York

clear signs of improvement after the last recession.

Mr Cuomo twice came close to seeking the Democratic nomination for president, most recently in 1992. He was also offered, but turned down, a seat on the US Supreme Court last year. Mr Pataki, meanwhile, benefited from not being Mr Cuomo.

A former mayor of the small town of Peekskill he is less well known than his political godiather, Senator Allonse D'Amato. The New York Republican senator single-handedly pulled Mr Pataki

can Congressman Michael Huffington

Both Republican candidates had

en vocal advocates in favour and both Democrats against. It also

helped the re-election on Tuesday of

Mr Dan Lungren, the Republican state attorney general, who only

The proposition's passage also

prompted an angry response from the

Mexican government yesterday. A

foreign ministry statement con-demned "all open and undercover

forms of discrimination and any

ality and legality derive from its two

principal clauses - the denial of edu-

cation and non-emergency healthcare to illegal immigrants and the obliga-tion on teachers, doctors and hospi-

Legal challenges to its constitution-

bic practises"

came out in support on Monday.

by Senator Dianne Feinstein.

senator earlier this year.

Otherwise, the new governor has preached a hland and generally vague mix of policies during his campaign. He has pledged to champion the reintroduction of the death penalty in New York, build more prisons and reduce taxes. As a taxcutting Roman Catholic from the prosperous Westchester suburbs, Mr Pataki is not the sort of person most likely to appeal to city dwellers. Adding to the city's anxiety

was the decision by its Repub-

lican mayor, Mr Rudolph Giuliani, two weeks ago to cross party lines and back Mr Cuomo's campaign. Mr Giuliani and Mr D'Amato are old rivals. The question now is whether Mr Pataki and his political mentor will take their revenge. Mr Lewis Lehrman, a New York businessman who ran aesinst Mr Cuomo in an earlier gubernatorial election, says that the city could suffer from Mr Giullani'a endorsement. "New York city has been subsidised by the taxpayers of upstate New York for genera-

tions. While that will not

entirely be reversed, growth of

those subsidies should end."

Political retreat: Mario Cuomo bows oot as New York's state governor after 12 years in office

cult to deal with," says Mr city. If Mr Pataki pushes ahead

ani as he grapples with a bud- Felix Rohatyn, a senior partner and cuts the state's top income

state's hudget goes to local "It's likely to make the city's governments in the form of budgetary problems more diffi-

tax rate, says Mr Rohatyn, it will add \$500m a year to the city's deficit. "It could be detrimental to its businesses, and drive more people away from

AMERICAN NEWS DIGEST

## Chile inflation at annual 8.3%

Chile will have single digit inflation this year for only the second time in 30 years. Mr Eduardo Aninat, finance minister. said in London yesterday that restrictive economic policies had brought inflation down to an annual 8.3 per cent, from 13.7 per cent when the government took over in March. The government's 1994 target of 10-11 per cent would be undershot, and the 1995 target might have to be revised downwards.

Chile had single digit annual inflation for a single year in 1980 but the exchange rate policy that brought it about was unsustainable. The previous year of single digit inflation was 1961. Growth this year will slow to 4.3 per cent - with consumer expenditures slowing - but should expand to more than 6 per cent next year. Next year's overall budget surplus should be about 1 per cent, compared with 2 per cent this year. Last year's trade deficit of \$974m (£593.9m) will become a surplus this year of about \$200m, helped by price increases for exports and a 10-12 per cent growth in export volumes. Stephen Fidler, Latin America Editor

#### Brazilian rivals band together

Mr Fernando Henrique Cardoso, Brazil's president-elect, yesterday became actively involved in campaigning for next week's elections for state governors. But instead of backing politicians from his own party, he was giving support to a candidate from the left-wing Workers party (PT), his main opponents in last month's presidential poll. Mr Cardoso's meeting with Mr Vitor Buaiz, the PT's candidate for governor in the southern state of Espirito Santo, was prompted by shared concern about the increasing popularity for the other candidate, Mr Dejair Camata, a far-right protest candidate who has pledged to wipe out crime. Mr Camata is a former police corporal who, has pledged to erase crime in Espirito Santo and, if elected, would give criminals 24 hours to flee the state. According to opinion polls these types of populist promises are winning over the voters. Angus Foster, São Paulo

#### Sotheby's sale raises \$26m



Sothehy's sale of Impressionist and modern art in New York on Tuesday night brought in \$25.9m and was almost 78 per cent sold by value. All the important works on offer, including one of Modigliani's last portraits, of his mistress Jeanne Hehuterne, found huyers but there was little interest in the second rate.

Seventeen of the 46 lots were unsold. The Modigliani sold for \$5.94m, just under its estimate. "Femme dans la nuit", painted in 1945 by Joan Miro, was also slightly below forecast, selling for \$3.03m. In 1996 Sotheby's sold the same painting for \$2.5m. A drawing by Van Gogh, "Wheat Field with Sheaves", copied from one of his oils, was just on target at \$2.09m. There was little interest in Picasso, with only two of six paintings by him finding buyers. Antony Thorncroft

#### Congress endorses Zedillo

Mexico's Congress formally appointed Mr Ernesto Zedillo president-elect yesterday, preparing the way for his assumption of power on December 1. After long and tense negotiations, the centre-right National Action party (PAN) finally abstained and the centre-left Democratic Revolutionary party voted against ratifying the presidential election. PAN said the election had not been fair and just, and thus could not endorse the result. The leftist PRD said the election was invalidated by widespread fraud. Damian Fraser, Mexico City



get deficit that is expected to at Lazard Frères. Around two thirds of the top \$1hm (£600m) in each of the next two years.

#### At the very least, it will make life difficult for Mr Giuli-

## California goes from ballot box to courtroom

Plyler v Doe, found that the 14th "equal protection" amendment to the ment any individual suspected of lile-US constitution prohibited a state Mr Demetrios Papademetrion, an from denying admission to schools to immigration expert at the Carnegie any child living within its borders. Federal education law also requires Endowment in Washington, who has helped prepare one legal challenge, said the suit was "very broad" and that government funds he withdrawn whenever confidential information is based on the contention that the revealed without consent of parents. proposition would not accomplish A problem still to be addressed in what it claimed to do - force the the lawsuits is the consequences of

repatriation of the estimated 1.6m forcing oot of school the estimated illegal immigrants in California. 300,000 sons and daughters of illegal He predicted that the state legal immigrants in California. Opponents processes could be finished "quite of the proposition argued that this was certain to contribute to increased quickly", though an ultimate judgment by the US Snpreme Court, juvenile delinquency. which would take much longer, is Governor Wilson has already conconsidered likely. Mr Papademetrion ceded the inevitability of lawsuits described Proposition 187 as "a nasty and Mr Lungren last week said he would defend the proposition in court

primal scream A Supreme Court ruling in 1982; because he was obliged by his office

tals to report to the federal govern-

so to do. But he added that he lacked the euthority to prosecute teaching and medical professionals accused of not informing on illegal immigrants. Mr Wilson, along with some other

governors from states with high lev-els of immigration, has already sued Washington to require the federal government to cover state expenditure on the health, welfare and education services provided to not only illegal Immigrants but also a new

flood of refugees and asylum seekers. The principal immigrant recipient states, after California, are Florida, Texas, New York, New Jersey, Illinois and Arizona. Only in Florida has political controversy remotely comparable to that in California been evident, a reflection in part of different economic conditions and political



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## Demirel raises stakes in tense regional game

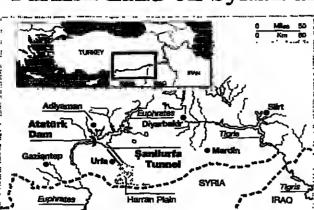
Project means Turkish hand on Syrian and Iraqi water supply, writes John Barham

hen Turkey's Presi-dant Süleyman Demirel inaugurated a key new stage in the country's gigantic hydroelectric and irrigation project yesterday, he also raised the stakes in an increasingly tense game of regional power politics.

Turkey is water-rich, but its Arab neighbours are desperately short of it; strategists warn that the question of water is hecoming a more explosive Middle East issue than that of oil.

The South-east Anatolia Project, known by its Turkish acronym Gap, is a complex of 22 dams on the Euphrates and Tigris rivers. As well as developing a remote and neglected corner of Turkey, it also represents a Turkish hand on the water supply of Syria and Iraq. With yesterday's inaugura-

tion of the first stage of the 26.4km Şanliurfa irrigation tunnel, 30 cu m a second of water will begin flowing from the huge Ataturk Dam through



500,000 hectares of land. Cap is a dream come true for Mr Demirel, a hydrological engineer called the "king of dams" and one of the project's prime movers in the 1960s. Gap's huge size (the Atatürk Dam is the world's fifth largest and the Şanliurfa tunnel is the longest of its kind) is a potent

affirmation of national prida. Mr Demirel said at yester a mountain range to the arid day's ceremony attended by Harran Plain to irrigate nearly 2,000 people: "We have many early in the next century, Gap will irrigate land twice the area of Belgium. The Harran Plain, site of some of the earliest civilisations, has fertile soils but lacks ahundant water. Critics complain the project will increase the power of feu-

dal landlords, and fear the government is underestimating its environmental costs. Further, water running off the plain into tributsries is likely to become polluted with pesticides, fertilisers and salts and become unsuitable for use further downstream.

The plain will produce cash crops such as cotton and soyabeans. They will be processed in nearby cities, creating jobs and raising incomes for the country's most depressed region. Officials hope it will bring stability to a region wracked by 10 years of fighting hetween government forces and guerrillas of the separatist Kurdistan Workers' party

But for Syria and Iraq, which depend beavily on the Euphra-Once it is fully operational tes. Gap is a nightmare. Each

cubic metre of water poured on to the Harran Plain represents a roughly equal reduction in the Euphrates' flow.

Before the first dams were completed in the late 1980s, the Euphrates carried 856m cu m of water across the Syrian border every second in 1987 Turkey promised Syria a stable flow of 500 cu m a second. If worst-case scenarios are borne out, pre-Gap flows further downstream into Iraq could be cut hy more than 80 per cent in the next 40 years.

Turkey gave Syria and Iraq no role in Gap's development and has never reached an agreement with them over sharing the waters of the Euphrates and Tigris. International lenders such as the World Bank refuse to back Gap. Thus, Turkey has had to postpone or scale back projects. Building Gap is straining government finances and fuelling inflation of more than 100

per cent. Syria is not satisfied with Turkey's unilateral 1987 commitment to supply 500 cu m of

water a second. It has chosen to press Ankara for a water deal hy supporting the PKK. Turkish security forces are spending more than \$7hn a year to fight the PKK in the Kurdish south-east.

Mr Dogul Ergil, a political scientist at Ankara University and adviser to the Gap administration, says. "Turkey proposed a philosophy of mutual use to consume water where there is less evaporation and cultivate land where the soils are most fertile, and share the

But "our neighbours are dictatorships and it is not in the nature of dictatorships to co-operate.

Optimists hope water may yet hring peace rather than conflict. Already Gap is shifting the region's strategic balance towards Turkey. But like many Turkish officials. Mr Ergil strenuously denies Gap is anything more than a development project: "Turkey bas never thought of using it as an instrument to manipulate our southern neighbours."

INTERNATIONAL NEWS DIGEST

## OECD growth rate edges up

Economic growth in the 25 member countries of the Organisation for Economic Co-operation and Development this year is expected to be slightly higher than the 26 per cent increase in gross domestic product forecast in July, according increase in gross domestic product forecast in July; according to officials at the organisation. Mr Tsutomo Tanaka, vice-chairman of the OECD's economic policy committee, said OECD economic developments had been generally favourable. He declined to make a new forecast, but said growth was expected to edge up to 2.7 per cent. For 1995 and 1998 we expected to edge up to 2.7 per cent. For 1995 and 1996, Mr Tanaka said growth would be about 3 per cent. The improved outlook partly reflects a stronger performance

in continental Europe. The recovery has picked up, and is now better established," said Mr Tanaka. The Japanese economy is also reviving, albeit slowly, the OECD said. The trendpartly reflects maintained easy monetary conditions and a

series of short-term fiscal stimuli. In the US, however, the pace of expansion has slowed, according to the economic policy committee. But it said that this was appropriate sizes the said that this was appropriate given the risk of overheating and the general desire to see a sustained expansion of output and employment. John Ridding, Puris

#### Japanese bonuses increased

Japan's leading electronics companies yesterday said they would increase workers' bonuses for the first time in four years, a good sign for consumer spending. Other sectors are unlikely to follow suit this year because they have done less. well than electronics groups. Yet the bonus rise indicates that the traditional link between workers' incomes and corporate profits has survived the rigours of recession. That bodes well for consumption once the nascent profits recovery has had

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time to spread, economists say.

Trade unions at the top 17 electronics groups said yesterday they had accepted six monthly bonuses averaging 5.06 months' basic salary for this winter and next summer, up from last year's five months' bonus. William Dankins, Tokyo

#### Iranian jets raid Kurds in Iraq

Iran said its fighter aircraft had raided guerrilla bases in Iraq yesterday. An Iranian Kurdish rebel party said one of its camps inside a western no-fly zone in Iraqi Kurdistan was pounded by Iranian jets. Four Iranian fighters "severely bombarded" a base of the Democratic Party of Iranian Kurdistan in Kurdistan en Rei Sanian Schambarded in Kurdistan in Kurdistan en Rei Sanian Schambarded in Kurdistan in Kurdistan en Rei Sanian Schambarded in Kurdistan in Kurdistan in Kurdistan en Rei Sanian en Rei S in Koi Sanjaq, 60km from tha border, killing a woman resident of the town and wounding three people, the party said in a statement. On Sunday Iran fired at least three Scud missiles at the main base of the Mujahideen Khalq opposition group 80km inside Iraq. Reuter, Nicosia

#### Mitsubishi extortion arrests

Police arrested eight peopla yesterday for allegedly trying to extort money from Mitsubishi Heavy Industries with threats to expose company secrets. Police did not say how much the eight allegedly demanded from the hig Japanese heavy machinery maker, which refused to pay. The eight first approached the company in November 1991, threatening to make public what they said were company documents on bid-rigging, police added. AP, Tokyo

#### Hong Kong to boost car taxes

Hong Kong aims to tax vehicle owners to avert total gridlock. government officials said yesterday. Proposals released by the government for public comment include increasing the tax on new cars to 70 per cent of the car's total value from 40-60 per cent now, and raising annual licence fees by 40 per-cent. Access to tunnels could be restricted to odd or even numbered plates on alternate days. Quotas for new private cars and removal of tax benefits on company cars are also being considered. The government proposes eventually to introduce electronic road pricing in which car-owners pay according to how far their cars travel. Reuter, Hong Kong

■ South Africa's all-commodities producer price index rose 0.3 per cent in September from August after rising 1.4 per cent in August, Central Statistical Service figures show. The year-onyear rise in September was 10.1 per cent after a 9.9 per cent

rise in August. Reuter, Johannesburg ■ The Philippine central bank cut its preferential lending rate ven to exporters and small-scale industries to 8.304 per cen from 9.4 per cent under its rediscount window facility. Reuter

■ Taiwan's defence ministry proposed a record military budget for the 1995-96 fiscal year of T\$277,9bn (US\$10.7bn) up from a revised T\$252.2bn this fiscal year. Reuter, Taipei ■ International aid donors yesterday pledged to give Mongolia \$210m in 1995 to help it make the transition to a market economy, Japan's foreign ministry said. Reuter, Tokyo

## African peacekeeping force 'has moved nearer'

President François Mitterrand claimed yesterday the idea of an inter-African peacekeeping force to intervene in future Rwanda-style crises had "advanced" at the Franco-African summit in Biarritz, adding France would ask other European countries to join it in pro-But not all the 35 African

of 'blue helmets' will only be really operational if France and other friendly countries give us their logistic support," President Gnassingbe Eyadema of Togo said.

more projects [for the region]. We now know that wa are able

Gap is being designed and built almost entirely by Turk-ish companies. Turkey is also

financing most of the \$32bn

(£20bn) cost alone, since multi-

lateral lenders refused to sup-

port the project. Still, the Cap

project is expected to add more than \$1bn a year to Turkey's

\$170bn GDP.

to carry them out alone."

of Zaire was one of those who criticised France for excluding Rwanda, though the Zairean leader's own presence in The French president stoutly France, which has denied him

summer's Rwandan civil war.

Mr Mitterrand and Prime Minister Edouard Balladur want to avoid repeating France's painful exposure in its Operation Turquoise in Rwanda, at the start of which more than 2,000 French troops were joined only by 230 Senegalese. President Sylvestre Ntihantuganya of Burundi, which faces the same ethnic tensions as Rwanda, made clear he would prefer diplo-

matic help rathar military intervention. The French president said the summit participants had

agreed on "certain general principles" that an African intervention force would be under "collective command, acting under the aegis of the UN or the Organisation of Afri-can Unity". But some leaders appeared divided on the issue of who should take part. President Omar Bongo of Gabon said Rwanda had given

urgency to discussion of an African force, but talks should first take place among Frenchspeaking countries. President Blaise Compaore of Burkina Faso said that discussing security in west Africa made no sense without English-speaking Nigeria or Ghana. French leaders are keen for the widest possible participation in an intervention force to avoid accusations of neo-colo-

nialism. But Vice-President Thabo Mbeki of South Africa, which along with Zimbabwe, Ethiopia and Eritrea was represented at the biennial summit for the first time, indicated his new government would not take part in any force, even though its army is the continent's most powerful.

Mr Mitterrand, who said he hoped several European countries would join France in providing logistic support to an African force, is to meet Mr John Major, UK prime minister, in next week's Franco-Brit-

sh summit in Chartres President Bongo said yester day he had been one of the strongest opponents of the CFA devaluation, but now conceded it was necessary and was benefiting most of the 14 economies concerned. He urged Africa's creditors to forgive more of the continent's debts.

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bomb exploded. We collected him after his discharge from hospital. A bomb can do a lot of damage in a narrow Bellast street where danger has become a way of life for over 25 years.

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promised to take part in such a sial Africa policy at a summit because of his human rights dominated by discussion of the force, and most backers of the record at home, stirred a sepaidea said it depended crucially Rwandan bloodshed and its rate controversy. consequences, hnt to which on non-African assistance. President Mitterrand vaunted France's record of eco-"This pan African structure Paris had not invited Rwanda's

new leaders. President Mobutu Sese Seko

nomic help to Africa before and after last January's devaluation of the French African franc (CFA), and of security assistance, especially French troops' intervention in this

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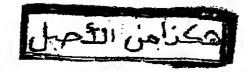
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**NEWS: INTERNATIONAL** 

## EU signs \$124m aid and loans package with Palestinians

By Julian Ozanne in Jerusalem

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The second section of F And the second of the second o The European Union yesterday signed an agreement with Palestinians for aid and loans worth up to \$124m (£77m) in 1995 and strongly defended its record on assistance to Palestinians.

Mr Juan Prat, European Commissir Arafat, chairman of the Palestin-

running costs after June next

Mr Prat said the EU was doing as much as it could to belp Palestinians and rejected critlcisms that the EU was slow in disbursing funds. He said the happening." sion director general, who signed EU had spent \$61m this year 1987 in development assistance and aid package is part of the EU's

say we are promisiog and not delays could be six weeks or one flow... but what we have offered is

The EU is the biggest single the agreement in Gaza with Mr Yas- and made grants worth \$1.1hn since donor to Palestinians and the 1995 and colleges.

Investment Bank. Among projects doing," be said. "The community is supported by the EU are paying saldoing everything it promised. The aries of the 10,800 Palestinian policemen; a \$50m project to build month - little things of cash 1,200 housing units; construction of a 230 bed bospital; upgrading of the sewage and solid waste systems and funding Palestinian universities

ian self-rule authority, also warned to Palestinian refugees. \$520m five year programme of the EU would not fund Pale-tinian "There is no way anybody can grants and loans from the European fund visible projects that immediate everything is going to collapse," he fund visible projects that immediately demonstrated to Palestinians Ibal peace brought concrete are impatient but things can't hapchanges in living standards they were being forced to fund salaries and running costs. At least half of EU grants worth \$62m in 1995 will go to pay salaries of policemen and

> university teachers. "What can we do. They have a Mr Prat said donors faced a budget and they have a deficit and estinian controlled Gaza-Jericho,

said. "I understand people in Gaza

pen overnight." Donors are increasingly frustrated about having to fund Palestinian running costs rather than actual projects. Until Israel hands over the West Bank, which has a much larger revenue base that Paidonors are being asked to finance a growing budget deficit.

The handover of the West Bank is at least nine months behind sched-

and revenues by June 1995 and we hope their talks will progress so that everything which has to be transferred to the Palestinians is transferred according to their agree-

## Summit light spills over on to East Timor

Indonesia is braced for world attention on its annexed territory, writes Manuela Saragosa

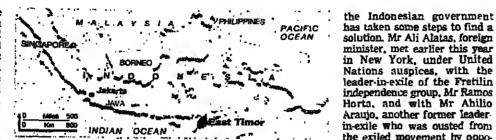
n All Souls Day at the Santa Cruz cemetery in the East Timor capital of Dili last week, people paid tribute, in the Roman Catholic tradition, to their deceased family and friends. Near the chapel a large group gathered and, led by a local priest. remembered up to 200 independence demonstrators who were massacred there by Indonesian soldiers three years ago.

Further recollections of the massacre, official admission of which was slow to emerge at the time, are the sort of thing the Indonesian government hopes will not take the gloss off its hosting of the Asia Pacific Economic Co-operation summit next week.

President Suharto's government, notoriously sensitive about its annexation of the former Portuguese colony it invaded in 1975, is hoping to win new international respect from the summit, due to be attended by representatives of 17 governments.

However, US President Bill Clinton and others will be under pressure to raise human rights issues at the summit, and at least some attention is bound to be focused on East

Timor. East Timor was abandoned by its colonial administrators in 1975 when the region was plunged into civil war. Indonesia invaded because, the government claims, the civil war in the territory, which borders Indonesian Wast Timor, "threatened seriously to disrupt the national development and reconstruction efforts in which Indonesia was engaged". East Timor was declared



Indonesia's 27th province in 1976, defying resolutions passed by the United Nations which does not recognise Jakarta's sovereignty over the ter-

Sensitive to foreign criticism. Indonesian officials are keen to point out that the region receives more government development funds, per head, than any other. Under Portuguese rule the region's infrastructure and facilities were negligible. Today there are schools, a university, roads, hridges, health clinics, telecommunications facilities and electricity. Water supply is still a

However, says an East Timorese professional, "we never cried for development. We cried for freedom." Freedom is not on offer - a referendum is ruled out - but

solution. Mr Ali Alatas, foreign minister, met earlier this year in New York, under United Nations auspices, with the regions are governed. leader-in-exile of the Fretilin independence group, Mr Ramos Horta, and with Mr Ahilio

the exiled movement hy opponents last year. More recently President Suharto announced be would meet Mr Araujo although they would not discuss the status of the territory.

There has also been talk of granting autonomy or special status to East Timor hut it is not clear what this means and statements have been non-committal. East Timorese are quick to point out that the north Sumatran province of

the Indonesian government Aceh and the sultanate of has taken some steps to find a Yogjakarta in central Java are also accorded special status, hut that this has not made any difference to the way the

Meanwhile, the military makes clear it has no plans to leave. "If we leave there will be more conflict." says East Timor's military commander, Col Kiki Syahnakri. However. he claims the number of armed guerrillas is dwindling - there are only 188 poorly-equipped Fretilin fighters left in the

mountains, be says.
One East Timorese official says rape and murder by the military and police are daily occurrences in many parts of the region. Many of these cases, he says, go unreported and the perpetrators are not brought to trial. "We are really suffering bere," be says.

Clashes between mainly Moslem Indonesians, who are given incentives to move to East Timor, and Roman Catholic East Timorese are common. Recently two army officers were found guilty by a military court of desecrating the sacra ment in a Catholic church and discharged.

The animosity is made worse by rising unemployment. The East Timor Provincial Capital Investment Co-ordinating Board says there were 16,308 unemployed people in the province in August 1993, but independent-sources say the figure is much higher. There are complaints that all the best jobs go to outsiders. East Timorese say that they have little control over their region's economy. The plantation and processing of coffee, the main cash crop, is dominated by the military although a monopoly on pro-duction was lifted earlier this

Indonesian rule has increased the level of distrust among the population. Plain-clothed intelligence officers are ublquitous. "I don't even know whether my brother or sister is spying on me," says an East Timorese professional who complains that Indonesian rule has sowed an atmosphere of fear among the population. In the absence of a referen-

dum, and with a continuing large military presence in East Timor, indonesia's rule in the region will continue to attract criticism from tha international community. The Apec summit next week is likely to be seen by some as an occasion for that criticism to be loudly

## Hanoi set for \$2bn pledges in foreign aid

By Victor Mallet in Hanoi

Vietnam is likely to receive pledges of some \$2bn (£1.2bn) in foreign aid at a donors' meeting in Paris next week and wents about \$10hn by the end of the decade to fund its economic reform programme, Vietnamese government offi-

cials and foreign donors say. Both sides are confident the "consultative group" of 18 countries and 15 international organisations, chaired by the World Bank on Tuesday and Wednesday, will at least match the \$1.86bn pledged at the first sucb meeting last year. Japan is again expected to be the biggest bilateral donor.

Donors are pleased by Viet-

nam's performance as it moves from a centrally planned to a market economy with annual growth rates in excess of 8 per cent, but they are also concerned by delays in implementation of aid projects. The UN says that only an estimated \$300m in aid has been disbursed this year.

"The most important issue will be bow to use ODA [official development assistance) in Vietnam, not bow to attract ODA," said Mr Do Duc Dinh, a Vietnamese economist.

One reason for slow disbursement is that much of the ald is directed at big infrastructure projects involving roads and ports, for example, which take many months to implement. Some delays are

caused by a cumbersome bureaucracy slow to adopt free market policies.

"With the actual disbursements of ODA, things are not flowing as freely as we would have hoped," said Mr Roy Morey, representative in Vietnam for the UN Development Programme. "The institutional apparatus is the same as the country has had for 25 years, and there's a kind of lag between policy formulation

and policy implementation." In its latest report on Vietnam, the World Bank urges Hanoi to scrap central control of decision making (on the grounds that this causes bottlenecks and encourages corruption in an increasingly comaconomy). decentralising some tax and investment decisions to local

authorities. The World Bank admits this suggestion is controversial (local Communist party authorities in some areas are accused of rampant corruption) but believes it would allow the govarnment to take on its proper role of establishing an economic framework within which individuals and companies could work

Vietnam is moving from relatively easy price liberalisation to more difficult structural reforms, such as restructuring state-owned banks, privatising public companies, and streamlining the trade regime." World Bank report says.

#### PRIVATISATION COMPANIES LINED is already listed in Jakarta, and sell

Indonesia plans a privatisation drive as part of its 1995-96 budget, with international equity offerings and flotations on the Jakarta stock exchange, Manuela Saragosa reports.

Mr Mar'ie Muhammad, finance minister, said yesterday that Telkom, the domestic telecommunications company, PLN, the electricity company, and Jasa Marga, the toll road operator, were the three state-owned companies most prepared to "go international". He also admitted that Geruda, the state-owned airline which some brokers said was being groomed to go public, was not yet ready to be sold on the international

The government also plans to reduce its stake in Semen Gresik, one of the country's largest cement producers, which shares in two other state-owned cement producers, the South Sulawesi-based Semen Tonasa and the West Sumatra-based Semen Padang.

Mr Andrew Vanghan, director of research and sales at stockbroker G K Goh Ometraco, said the privatisations "have been on the launch-pad for a lone time". Telkom is thought likely to sell at least \$500m (£312m) worth of shares in its initial public offering. It is estimated that each of the companies will have to float at least \$20m-worth of shares to make the exercise worthwhile. But it is not clear yet wbether Jasa Marga will issue bonds overseas rather than selling shares,

The companies are expected to give domestic exchanges a boost by floatingsome of their equity on the Indonesia - ... market, "Long-term, this is exactly what the Jakarta market needs, to have more large blue-chip companies," said Mr David Oxtoby, research director at Asia Equity Jasereh. "The size of their cash call may have a short-term depressing effect, but it will simply be a case of short-term pain for long-term gain."

Mr Muhammad's planned privatisations follow the flotation of shares in Indosat, Indonesia's telecom satellite enterprise. on the New York Stock Exchange last month which raised at least \$800m for the Indonesian government.

Indosat sold 25 per cent of its shares in New York and 10 per cent on the Jakarta and Surabaya stock exchanges. Merrill Lynch was the global underwriter for the offering, while Danareksa Sekuritas underwrote the domestic share sale.

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first annual summit in Seattle a year ago, a curious European Commission asked to send observers. The request was rejected. "The reason was simple," says one Asian diplomat.
"We didn't want them to discover there was nothing to dis-

As ministers of Apec's 17 governments meet in Jakarta today to prepare for next Tuesday's summit, the stakes look mncb higher. The summit poses a stiff test of their political will to give substance to a grouping which has so far been long on visionary statements hnt short on concrete decl-

Optimists hope the five-yearold Apec will set out to become a global economic powerhouse by agreeing a long-term time-table for freeing all trade and investment flows in a region which extends from Labrador

Apec's members include some of the world's fastestgrowing economies and account for roughly half its total gross domestic product and international trade. But there are wide disparities between individual countries' levels of aconomic development and their views on Apec's role. Bilateral relations hetween some of them are acutely strained - most notably by US trade conflicts with China and Japan and hy Washington's criticisms of indones ia's human rights record.

If these tensions bubble up into acrimonious disputes in Jakarta, they risk scuppering

The starting point for the talks is an ambitious blueprint drafted by an eminent persons group, chaired by Dr Fred Bergsten, head of the Washing-ton-based Institute for international Economics.

It proposes that all trade barriers in Apec be abolished by 2020, and by 2010 in the case of industrialised countries. Other blocs, such as the European Union, would be invited to make reciprocal concessions in a move to force the pace of multilateral trade liberalisa-

#### Guy de Jonquières and Peter Montagnon on the choice facing Asia Pacific nations

The plan's most enthusiastic snpporters are Australia, which is eager to stress its Asian credentials, and Indonesia. President Suharto views the summit as a chance to set his seal on history and wants an even earlier deadline for Apec free trade.

At the other extreme, Malaysia remains sceptical of the value of Apec and continues lo press for a rival East Asian Economic Caucus to counter western economic domination. Still. Dr Mahathir Mohamad Malaysia's prime minister, who boycotted the Seattle meeting, ans to attend this summit, and President Suharto may yet persuade him to tone down his

Much the biggest uncertain-

ton softens its line on Beijing's epplication to join the new World Trade Organisation in January. Ms Wu Yi, China's trade minister, is expected to step up the pressure when she meets Mr Mickey Kantor, Pres-

negotiator, in Jakarta on Sat-However, Beijing may be over-estimating Apec's importance as a bargaining chip with Washington. Much has changed since President Bill

ident Clinton's chief trade

Clinton talked up Apec's future

at last year's summit, in the belief that e united stand by Pacific Rim countries would induce the EU to give ground in the stalled Uruguay Round trade talks.

Today, with prospects for congressional ratification of the Round on a knife edge, the administration's priorities are reversed. It seems decidedly wary of any trade initiatives which could fuel domestic opposition to the Round.

President Clinton's position has been further undermined by the Democrats' loss of control of both houses of Congress in Tuesday'e mid-term elec-He may therefore be hard-

pressed to offer any immediate concessions on China's WTO decision which committed the US to lowering its trade barriers substantially.

"Mr Clinton wants a big pub lic relations success in Jakarta which ties his hands as little as possible," says a US trade pol-

Though Apec leaders may agree a long-term commitment liberalisation, he thinks they may endorse only uncontroversial proposals in areas such as customs procedures. standards and voluntary investment principles.

Mr Kim Chul-su, South Korea's trade minister, also doubts the summit will set a binding timetable for liberalisation and says such an agree ment may take at least a further year to achieve. Sucb an anodyne outcome

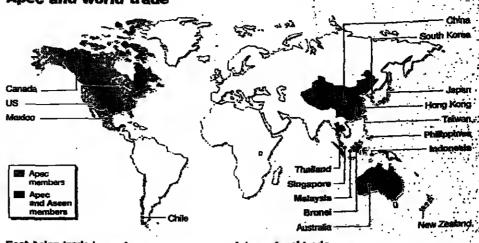
need not constitute complete failure in the eyes of Apec's Asian members. Many see the grouping less as a forum for sweeping policy decisions than as e channel for informal dialogue, particularly with the US, their largest final market. Most would resist any attempt to turn Apec into a formal institution. They fear

such a step could threaten the

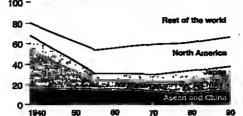
future primacy of the WTO and

encourage the US to use Apec as a club to force them into making trade concessions. Many Asian countries also want to pusb ahead with efforts to free trade within Asia before embarking on any programme involving Wash-

Some observers believe little progress in Apec is likely until the recent decision by the sixmember Association of South East Asian Nations to try to Apec and world trade



East Asian trade by partner



trade area has borne fruit. Though the plans remain tentative and face big burdles, Mr Chuan Leekpai, Thailand's prime minister, says Apec is "a looser form of grouping with less deptb" than Asean. in his view, Apec's main contribution to trade liberalisation will be to encourage efforts under way in other forums, rather than to launch eubstantive pro-

grammes of its own.

in Japan. Though the government appears ready to back a summit declaration endorsing hroad free-trade principles, Tokyo wants to avoid any decisions which could force it to choose between its allegiances

to Asia and to the US. Some Apec members have questioned the value of any declaration which does not bind governments to at least some concrete action. But even if the summit endorsed a

long-term liberalisation pro gramme, implementation would still require complex negotiations.

These would have to overcome fundamental conceptual differences between Apec's members, which even the carefully-drafted Bergsten report fails to hide.

"The report is riddled with

#### contradictions," says Dr Young Soogil, a leading South Korean

## Poland bids for improved UK trade and investment

By Anthony Robinson

Mr Waldemar Pawlak, the Polish prime minister, yesterday sought to attract more UK trade and investment by stressing Poland's large market equivalent to the combined populations of the Czech Republic, Hungary, Slovakia and former East Germany and access to non-Russian

Addressing a Polish business conference at the Confedera-

tion of British Industry in London, Mr Pawlak said that Poland was currently enjoying rapid export-led economic growth and broad polltical agreement on the development of market-based reforms.

Polish-UK trade has more than tripled in the past four years. This is partly a result of growing UK investment hy companies such as Pilkington Glass, British Vita, British British American Tobacco, Cadbury Schweppes, BP and British Oxygen, and also because of rising exports of North Sea oil to Polish refinerles through the port of

In the first seven months of this year Polish exports to the rose to £305m (\$500,2m) from £251m in the same period of 1993, while UK exports to Poland slipped back to £366m from £415m, mainly because of a fall in oil and refined product imports to £88m from £151m. Poland's diversification from

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iotechnology Business News provides regular, authoritative reports of industry news, and identifies and comments on emerging trends. Drawing on the worldwide resources of the Financial Times and

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dependence on Russian oil was an early priority of post-comoil imports from Russia had dropped to 48 per cent of the total, while the UK supplied 21 per cent, Iran 18 per cent and Norway 8 per cent.

Last week Russia and Poland were due to finalise an agreement on the construction of the Polish section of a gas pipe-line which will aventually bring 67bn cu m of natural gas annually to central and west-

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hardwoods take up to two hundred

ern Europe from the Yamal peninsular. Mainly for domestic political reasons. Mr Victor Chernomyrdin, the Russlan prime minister, called off the meeting, but the substance of the deal has not been affected.

Poland will help build and finance the pipeline and take 14bn cu m of Russlan gas annually. Unlike earlier Soviet gas pipelines, which terminated in former east Germany and so represented Soviet control over Poland, the Yamal pipeline will transit Poland and the main throughput will be sold on the German market. Modernisation of Poland's oil-refining and petrochemical industry, requiring a total investment of about \$2.5hn, is one of the government's long-term priorities. But poten-

tial foreign investors, including UK oil and energy grouns. have been frustrated by political uncertainty over what strategy will follow. Mr Pawlak said yesterday that the government was currently inclined to restructure the industry before privatisation. Officials added

substantial foreign investment. Developing the energy sector was part of a broader plan to restructure eight industrial sectors, including coal, iron and steel and shiphuilding, which had already had subsidies removed and were now operating profitably, said Mr Marek Pol, trade and industry

## Toyota planning second assembly plant in Canada ily saloon. It is already assem- ta's sales in the US and Canada

plant at Fremont, California.

Toyota's joint venture with

General Motors. A rebadged

version of the Corolla produced

Toyota said it would cease

exporting the Corolla from

Japan to North America, when

at the NUMMI plant is sold by

GM in North America.

By Kevin Done. Motor Industry Correspondent

Toyota is to double production capacity in Canada to 205,000 cars a year by the late 1990s. The Japanese carmaker is planning to invest C\$600m (\$450m) to build a second assembly plant at Cambridge, Ontario, with capacity to produce 120,000 cars a year. Output at its current plant is

85,000 cars a year.
The new plant, due to begin production in August 1997, will increase Toyota's capacity in North America to more than 900,000 cars and light trucks a

year by 1998, and will help Toyota counter the impact of the yen's appreciation. The main model to be produced at the new plant will be

the Toyota Corolla small fam-

the new plant in Canada begins production. Toyota, the leading Japanese vehicle maker, announced recently that its production in North America was expected to rise to 790,000 vehicles in 1996.

a 50 per cept increase from last year's output of 533,000. North American produced vehicles are expected to

account for 60 per cent of Toyo-

by assuring high standards of

However, Mr Mercer disputes

Many franchised dealers are

too small to survive in a free

plying information to manufac-

turers and customers has

declined as car-buyers have

Car-buyers are increasingly

dissatisfied with franchised

dealers. According to US mar-

become better informed.

these arguments. He says:

sales and service.

bled at Toyota's plant in in 1996 compared with 46 per Ontario and at the New United cent last year. car exports from North Amer-

ica, chiefly to Japan, Taiwan and west Europe, and exports from the US and Canada are forecast to rise to 80,000 a year hy 1996 from 50,000 last year. It is seeking to increase the

local content of its North American produced vehicles with plans to raise engine production in the US and Canada to more than 440,000 a year in 1996 from 207,000 in 1993.

Toyota said that the planned expansion in Canada would satisfy the local content requirements of the North American Free Trade Agreement allowing the cars to be shipped freely between Canada, the US and Mexico.

Servicing time gets shorter...but the pain remains

## Gatt chief ready for caretaker WTO role

By Frances Williams in Gene

With the contest for the top job at the future World Trade Organisation effectively deadlocked. Mr Peter Sutherland, director general of the General Agreement on Tariffs and Trade, is believed to be ready to stay on in a caretaker role until his term ends next July.

Mr Sutherland announced last April he would not be a candidate for director-general of the WTO, which is supposed to begin work on January 1. But it now looks increasingly

unlikely that a decision on his successor will be made hy early December, when Gatt members are due to endorse the appointment, making it vir-tually impossible for the new director-general to take up the WTO reins in January.

Though no formal proposal to stay on has yet been made to Mr Sutherland, it is under active discussion by trade diplomats anxious to assure a smooth transition from Gatt to the more powerful WTO. Howaver, some officials are still hopeful that the decision on the choice of WTO chief can

still be made by next month. A third round of consultations among Gatt members on the WTO appointment is taking place in Geneva this week. Trade officials said yesterday they expected the outcome to be a continued three-way split on regional lines between Mr Renato Ruggiero, the EU candidate, Mr Carlos Salinas de Gortari, the outgoing Mexican president who has US and Latin American backing, and Mr Kim Chul-su of South Korea who has Asian support. Though Mr Ruggiero is ahead numerically, the even-

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tual decision must be made by consensus. Delays in ratifying the WTO and the associated Uruguay Round global trade accords, the continued stalemate over the next OECD secretary-general and the lack of engagement of the US in the WTO race are all seen as obstacles to consensus.

To these must now be added the uncertainty over the outcome of the Uruguay Round vote hy the US Congress in three weeks' time. A rejection hy Congress would certainly kill the WTO which could not operate effectively without the participation of the world's biggest trader.

Only 30-odd countries among Gatt's 124 members have so far ratified the world trade pact, and they do not include any of the Quad group of leading traders - the US, tha EU, Japan and Canada Most have been awaiting the US decision.

The mid-term elections and the impending Uruguay Round vote have also kept the US out of the active big-power horsetrading that will be a necessary ingredient of an eventual

Though strongly denied by the US and EU, many trade diplomats believe there is also a trade-off between the WTO leadership and the long delayed decision on who should run the OECD in Paris. If, as the US and Canada are demanding, the OECD job goes to a non-European, this could hoost Mr Ruggiero's WTO chances.

Congress and Gatt, Page 6

## EU's new car distribution

By Guy de Jonqui Business Editor

The main arguments used by Europe'e motor industry to win renewal of new car distribution's exemption from EU competition law have been challenged hy the top US automotive expert McKinsey, the international

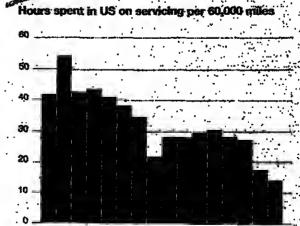
management consultancy.

Mr Glenn Mercer said that recent industry trends made the manufacturers' arguments broadly accepted by the European Commission last month - "increasingly outdated". He described the practices the axemption was archaic".

Contrary to the industry's claims, its traditional distribution system was obsolete, inefficient and failed to meet consumere' needs. Without fundamental reforms, the system would become increasingly uneconomic and out of touch with the market.

Mr Mercer's analysis, set out n an article in the latest McKinsey Quarterly, is based mainly on US experience. How-ever, he said yesterday that most of its conclusions applied to Europe, particularly the continent. European manufecturers

claim cars are technically sophisticated products and that they must retain the right to supply them only through



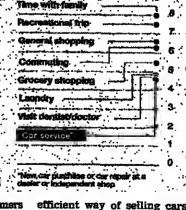
franchised dealers. They say ket research, most consumers the system encourages compefind visiting a dealer even tition and benefits consumers more unpleasant than a dental

> The claim that cars need special after-sales care bas been undercut by their increasing reliability. Franchised dealers are not

appointment

well-equipped for servicing. Servicing would often be performed more efficiently by large specialised garages which were not tied to branded manufacturers.

 Independent franchised dealers are no longer the most



Large savings could be made if manufacturers sold cars direct to customers, through discount warehouse clubs or through wholly owned dealerships. Contrary to European manufacturers' claims, many cus tomers would like to buy from large outlets stocking compet ing brands at one site. Multibrand outlets have already captured about 10 per cent of the US market, Mr Mercer says. Don't just optimise – unbu

The McKinsey Quarterly 1994

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By John Gapper and Allson Smith

The acquisition by Thomas

Cook Group, the travel com-

pany, of Barclays Bank's trav-

ellars' cheques business has

been referred to the Monopo-lies and Mergers Commission.

The acquisition, announced

in August, would allow Thomas Cook, already the world's largest issuer of

Mastercard travellers' cheques,

to become the biggest issuer of

Visa travellers' cheques as

The deal would increase

## Banks fail to revive private hospital

By James Buxton and Alan Pike

Health Care International, the Scottish private hospital opened only four months ago to cater for overseas patients, went into receivership yesterday when its bankers were unable to agree on a rescue.

The hospital, located in an enterprise zone at Clydehank near Glasgow, had been unable to attract enough patients, and only 20 of its 260 beds were occupied yesterday. Its failure is highly embarrassing for the government, which committed a total of 230m to the £180m project. Mr George Robertson,

Labour's shadow Scottish secretary, accused ministers of "recklessly gambling public money on a shaky, ill-conseas market."

HCI has demonstrated the unviability of as long as possible while they seek a purchaser.

Equity investors and lenders had ceived project", while the Scottish Trades Union Congress described the hospital as "a harehrained scheme which common sense indicated was

doomed to fail". HCI, which employs 400 people, hit a financial crisis in September because of a severe shortage of patients from its intended markets in Italy, Greece and the Middle East. In spite of its modern facilities, the organisation is unlikely to interest other UK hospital operators. Feeling in the sector last night was that

London private hospitals once relied heavily on overseas patients, particu-larly from the Middle East, but this market has become thinner in recent years. Most hospital operators now baiance overseas work with UK patients, a

more important part of their market. Samuel Montagu, leader of the syndicate of fiva banks lending to HCI, appointed Mr Murdoch McKillop and Mr John Talbot of Arthur Andersen as joint receivers. They intend to keep the bospital operating as a going concern

Monopoly probe for Cook

Thomas Cook's share of the

world's \$54bn-a-year travellers'

cheque market from 17 per

cent to 30 per cent. The market

is led by American Express,

which invented the travellers'

cheque 103 years ago, and has

The Department of Trade

and industry said yesterday it

had referred the acquisition to

the MMC on the advice of Sir

Bryan Carsberg, director-gen-eral of fair trading. The MMC must report by February 16.

Trade ministers can refer to

the MMC mergers that inten-

sify a market share of 25 per

44 per cent of the market.

Equity investors and lenders had tried for the last few weeks to agree a financial restructuring. Although new equity funding was available from the Abu Dhabi Investment Company, the French bank Credit Lyonnais, one of five in the lending syndicate, refused to agree to the package, precipitating receivership.

HCI was conceived by two Harvard professors, Dr Angelo Eraklis and Dr Raphael Levey. The equity investors are led by Harvard Management, which invests money for Harvard University.

cent or more in the UK. The

Thomas Cook deal was origi-

nally due to be completed this

week, but has now been put on

bold until after the MMC

report. Thomas Cook has not

disclosed how much it paid

Barclays to acquire Interpay-

ment Services, the subsidiary,

and yesterday refused to com-

Thomas Cook intends to operate the Interpayment Visa

brand separately although the

two hrands would use the same

distribution and processing

facilities. Integration of those

facilities has not yet begun.

ment on the MMC referral.



## Students protest at funding cuts

in pouring rain through central London yesterday protesting about grant cuts which they say make it impossible to survive without incurring big

The march was organised by the National Union of Students, which published a report claiming that 25 per

cent of sixth formers abandoned the idea of further education because of financial

Mr Jim Murphy, union president, said cuts in grants and increased food and accommodation costs meant that it was cheaper to live on unemployment benefit than to take a degree. He said the Student

housing costs had risen by 5.5 per cent last year while the grants were being cut by 10 per

cent a year. Meanwhile, the government rejected a claim from students that there are plans to privatise student loans and charge graduates commercial rates of

#### **Protest** against in talks livestock on TV shipment news deal

By Deborah Hargreaves

Animal welfare groups protested at Sheerness in Kent yesterday at the launch of a ferry service carrying live animals to mainland Europe. Ferrylink, a division of the Mersey Docks and Harbour Company, shipped 3,000 calves and sheep to Vlissingen in the Netherlands yesterday in what it hopes will become a daily

The company said it would give "the kiss of life," to the live animal trade with 2 vessels taking up to 12 lorry loads of livestock a day after a ban on shipments was imposed by the leading ferry companies in October. Brittany Ferries became the last regular carrier to quit the live animal export

trade last Friday. Companies such as Peninsular and Oriental, which carried the bulk of live exports before the ban, bowed to pressure from animal welfare groups and a public outcry. Farmers' leaders feared the ferries' action would cut off access to a lucrative export market which is worth £200m a year. Calf prices tumbled

last week after Britishy Fer-ries joined the boycott. . Ferrylink says it will impose a strict code of practice on bauliers to ensure animals are treated well during transit. But Brittany Ferries said last week the majority of hauliers had cynically disregarded its own code of conduct.

These people are not interested in codes of conduct only in money," said Ms Joyce D'Silva at Compassion in World Farming, an animal welfare group.

Mr Bill Moses, managing director of Ferrylink, said: "We have no wish to be associated with unscrupulous exporters and any shipment which does not meet our strict code of practice will be refused carriage."

Exporters have also got round the ferry bans by using chartered aircraft. But several airport authorities have moved to stop the trade.

# Murdoch

By Raymond Snoddy

British Sky Broadcasting is in negotiations to have its 24-hour television news channel, Sky News, supplied under contract hy Independent Television

If the deal goes through it Would re-create an effective **BBC-ITN** national television

news monopoly in the UK. Talks are believed to be well advanced between the BSkyB satellite television venture and ITN, the ITV television news organisation. They have involved Mr Rupert Murdoch, chairman of News Corporation, Mr Michael Green, chairman of ITN and of Cariton Communications, and Mr Sam Chisholm, the BSkyB chief executive.

Formal agreement has not yet been reached.Mr Chisholm said last night: "We have plenty of suitors who want to get involved with us in a whole range of areas. ITN is but one." Sky News, which has won

awards for its journalism, is broadcast across Europe on the Astra satellite and is available to millions of viewers through satellite dishes and cable networks. ITN, which supplies television news to ITV and Channel 4, already provides news hulletins and programmes around the clock. Mr Murdoch controls 50 per cent of BSkyB, a consortium in which Pearson, owner of the Financial Times has a significant stake. He is committed to continuing to provide a 24-hour Sky package of channels.

But for several yearsBSkyB has been trying to find a more cost-effective way of providing the news channel.

Talks took place with the RBC about the possibility of a merged satellite news channel but no agreement could be reached neither could agree on who should have editorial con-

Sky News costs around £30m a year to run and has never made a profit. It is believed that the deal on offer from ITN could save BSkyB around £7m-



## Survey highlights the true cost of open government

Government departments and quangos (organisations outside the government whose leaders are appointed by ministers) are charging large fees for infor-mation which they are obliged to disclose under openness guidelines based on the Cit-zen's Charter, a survey has found.

Some departments are charging hundreds of pounds for previously secret information which became available under the Code on Access to Government Information, introduced

The sums are usually based on the costs of staff doing the research, and can be as high as £45 (\$73.80) an hour.

What we have found is extraordinary differences between departments' arrange ments, showing how arhitrarily charges have been set," said Mr Maurice Frankei, director of the Campaign for Freedom of information, which carried out the survey. "Some of the charges will preserve Whitehall secrecy as effec-tively as any Official Secrets

The most striking example in the survey is said by the Campaign to be the National Rivers Authority, an environmental watchdog, which says that it may charge children and students who request information for their full-time studies if it takes one member of staff more than half an hour to

undertake tha necessary

The Ministry of Defence in effect rules out providing infor-mation which is more expensive than £200, "since it would probably represent an unrea-sonable diversion of manpower from defence activities"

The survey found that three government departments – the Foreign Office, agriculture ministry and Inland Revenue – charge for all requests which involve staff in extra work. Two other departments - the Home Office and the Department of Health - waive charges for requests which take less than an hour, and

charge £20 an hour for others. The survey found a wide variation in charges. For example, the Departments of Transport and Social Security charge for information only if more than four hours' work is required, with fees based on the average salary cost of staff

The chaspest departments from which to obtain information appear to be the Lord Chancellor's Department, the Public Records Office and parts of the Northern Ireland Office, all of which allow five hours' work free. The Cabinet Office and the Scottish Office waive the first £100 of any charges.

The Office of Public Service and Science defended the charges and said anyone dissatisfied should complain to the Parliamentary Ombuds-



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# Chemicals help improvement in trade figures

By Philip Coggan, Economics Correspondent

A surge in exports of chemicals and capital goods is driving a continuing improvement in the UK's visible trade figures, Central Statistical Office fig-

ures showed yesterday.

August's deficit with the rest of the revised downwards from £704m to £555m largely because of changes in the calculation of the seasonal adjust-ment. The CSO says the trend shows a continuing narrowing of the deficit, James Capel, the brokers, said the

about % per cent a month.

arrears because of the Intrastat sys- the past few months". tem used in the European Union, returns. The new element of yesterday's figures was the EU deficit, which widened to £342m from £171m world was a seasonally adjusted in July, in part because of tha import from France of trains for the Channel tunnel Imports from the EU have been rising faster than those from the rest of the world.

Mr Adam Cole, a UK economist at

Over the three months to August. The CSO estimates that export volwhich is based on value added tax the whole-world deficit was £1.97bn months to May. Over the same period, export values have risen 5 per cent while imports have grown 2 per cent. The deficit was £3bn in the three months to August 1993.

The CSO said increases in the value of chemicals and capital goods were responsible for around half the rise in exports over the past three months. If

with exports and imports rising by rise in EU imports was significant and oil and erratic items such as precious levels in August. Falls in import volmay mark "a turning point in the stones are excluded, the whole-world World trade figures are reported in trend of falling deficits apparent over trade deficit in August was £1 19bn from £1.07bn in July.

> umes - excluding oil and erratics compared with £2.85bn in the three are increasing by about 1 per ceot a month while imports are flat. Over the three mooths to August.

> > than in the previous three mooths while imports fell by 1 per cent. Compared with the same period of 1993, exports are up 12 per cent while

export volumes were 3 per cent higher

imports are up 6 per cent. Both export and import volumes reached record

umes were recorded in all sectors over the three months to August, including finished manufactures. where clothing imports fell by 7.5 per

The improving trend in volumes has oot been fully reflected in the beadline figure for the trade deficit because of a deterioration in the terms of trade.

Import prices were 3 per cent higher in the three months to August than in the previous three months while export prices were 1 per cent

## Government seeks to boost | Minister accused on Pergau level of non-EU exports

By David Owen

Tha British government is aiming to lift the proportion of UK exports that go to countries outside the European Union as part of its strategy for stimnlating domestic growth.

Ministers want to increase

non-EU exports to more than 50 per cent of the total before the next general election due They are keen to promote

British exports to relatively fast-growing economies in Asia On Sunday, Mr Richard

Needham, trade minister, is due to leave for India at the head of a party of more than 80 husiness executives in what the Department of Trade and Industry is billing as its biggest-ever trade mission.
The group will fly to Calcutta, Delhi, Bombay and Madras for a week-long pro-

gramme of meetings.
Official figures indicate the government is well on the way to achieving its target: exports to the EU amounted to £46.3hn or 52.6 per cent of the total in the eight months to August. This compared with £63.9bn or

£58.9bn or 57 per cent in 1991. Last Octobar, non-EU exports - at £5.28bn - marginally outstripped exports to EU countries - at £5.26bn. It was the first month for more than three years in which this had happened. But next year's axpected

enlargement of the EU may make the target more challenging than it appears.

The way is clear for four European countries - Sweden, Norway, Finland and Austria to become members of the EU

Mr Douglas Hurd, the UK foreign secretary, was yester-day accused in the High Court of acting unlawfully in ear-marking £234m from the overseas aid budget for the Pergau

dam in Malaysia. The World Development Movement, a lobby group for developing countries, is seek-ing to have his decision quashed, to recover the £29.6m already spent, and block further payments from the aid budget for the dam's construction. The next instalment is dua to be paid in December. The group claims Mr Hurd

overstepped his powers under

the 1980 Overseas Development and Co-operation Act, by alloc-ating aid money for the improper purpose of promoting trade with Malaysia. The act says the primary purpose of ald must be the economic bene-fit of a foreign country or the

Mr Nigel Pleming QC, the group's counsel, said the purpose of the act was "aid trade" and Mr Hurd's decision had deprived poor countries of British funds which should have been spent on them. Mr Pleming said the use of aid could not be said to be for

the economic benefit of Malaysia because when Mr Hurd took the decision, "Pergau was unequivocally an economically

kester, former permanent sec-retary at the Overseas Development Administration, advised that the dam was uneconomic and funding it was an "abuse of the aid programme", but he

The govarnment has accepted that if it loses the court case, the bill for the dam will have to be met hy another

government department.
Mr Roger Briottet, WDM director, says the £234m earmarked for the project is equal to twice as much as all British aid for water and samitation for the last five years or half Britain's aid to sub-Saharan Africa in 1992/93

The hearing continues today.

**UK NEWS DIGEST** 

## Howard rebuffed as court rules he acted unlawfully

The British government's new compensation scheme for victims of violent crime, introduced in April, was ruled unlawful by the Appeal Court yesterday.

The decision is a further setback for Mr Michael Howard.

the Home Secretary.

The court said he had acted "unlawfully" and "abused his

powers" by implementing the scheme without referring it to Mr Howard said last night he would be appealing against

Mr Howard said tast man the would be represented the decision to the Lords.

The new tariff-based scheme sets fixed levels of compensation for different categories of injury, replacing the previous scheme based on personal injury compensation rules, which

took account of individual circumstances. The government said the new scheme was necessary to curb soaring compensation costs. It said unless changes were made, the annual cost of payments would rise from £224m to £550m

The ruling prompted immediate opposition demands for Mr Howard's resignation.

Offer made to Maxwell groups A group of investment banks and former professional advisers to pension schemes controlled by the late Robert Maxwell has offered to pay between £200m and £300m to obtain a "global settlement" of all outstanding claims.

Trustees of the schemes and their advisers yesterday met Sir Peter Webster of the Maxwell Pensioners Trust who told them

Sir Peter had set a deadline of November 4 by which time all offers of settlement had to be made. Those which did not make 'credible" offers could expect legal proceedings against them

However, trustees had been hoping to receive an offer closer to the £448m estimated to have disappeared from the schemes before Maxwell's death in November 1991.

#### Third setback for Eurostar

Eurostar, the high-speed Channel tunnel passenger train, yes-terday suffered its third embarrassing breakdown within a month. Eurostar will start a regular service linking London with Paris and Brussels through the tunnel next Monday. One of the £24m trains due to carry a party of MPs to Paris developed a technical hitch and had to be replaced, causing a

30-minute delay.
On October 20 a train due to carry 400 journalists through the tunnel on a promotional trip suffered a similar hitch while the tunnel on a promotional trip suffered a similar hitch while the tunnel on a promotional trip suffered a similar hitch while Bob Reid and Eurotunnel co-chairman Sir Alastair Morton had to be taken out of service at Calais.

European Passenger Services, the UK arm of Eurostar, said most of its test runs had been trouble-free and it was confident its public service would run smoothly next week.

#### £500m power station plan

Up to 700 jobs are to be created building a £520m gas-fired power station near Grimsby, Humberside County Council said

The station is being built by a consortium including Mid-lands Electricity, the regional power company, IVO, the Finn-ish electricity company and Japanese trading company

Humberside said the station was one of the largest inward investments into the UK. The station is due to open in 1997, creating up to 100 permanent jobs.

Norman O'Neill, chairman of Humberside county council's economic development sub-committee, said the investment was the first of many in line for the area.

However construction of the station, which will have a capacity of 750MW, has been seen as a setback for the coal industry. When it is fully operational it will displace up to 2m tonnes of coal a year.

#### Human rights award for Hume

Mr John Hume, leader of Northern Ireland's Social Democratic and Labour party has won major peace and human rights awards in the United States and Italy.

He is to join former Soviet and US leaders Mikhail Gorba-chev and George Bush to receive the Pio Manzu Institute award for peace, in Rimini at the weekend. Mr Hume is also due to receive an award from the International League of Human Rights at the UN in New York next month. The MP for Foyle, in Londonderry, who has been at the

centre of the Northern Ireland peace process has already been nominated for the 1995 Nobel Peace Prize.

#### Ealing offers expected soon

Serious offers for Ealing Studios – home of some of the most famous British films – are expected within days, it emerged yesterday. Receiver Mr Alan Price – speaking the day after one of the country's newest film production companies, Metrodome, put forward a rescue plan - said he was "optimistic" of finding a buyer.

The two-year-old company announced it was prepared to provide half the money to buy the studios and was actively seeking a partner willing to meet the rest of the cost. The fate of the west London studios, used in the 1940s and

1950s for comedy classics such as The Lavender Hill Mob and The Ladykillers, is in the balance after owners BBRK became insolvent last month.

Mr Price said Metrodome was just one of a number of

companies which had shown an interest in taking over Ealing.

## Casino advert ban may be relaxed



considering relaxing the strict rules governing advertising by casi-THE MATIONAL nos and betting shops, Mr shops,

Michael Howard, home secretary, said yesterday, our Marketing Correspondent writes. Pressure on the government to ease gaming restrictions has increased with the advent of the National Lottery, tickets for which go on sale on Mon-

Competing operators, including the football pools, have won concessions following complaints that the lottery is not subject to the same tight rules on advertising promo-tion and operation as other forms of gambling

Mr Howard told the British Casino Association that the government was looking at all gaming controls as part of its effort to cut down on unnecessary red tape. The current complete ban on advertising for casinos was "ripe for review", he said. "There are legitimate concerns that unres tricted advertising would send out the wrong signal to those who might be vulnerable to excessive gaming. But I think there is a case for your being allowed to give out information about yourselves, the location and facilities offered." Similar restrictions in other areas would be examined. Betting shops are allowed to advertise on posters, but are not allowed to state their location. The Sports Council said ver terday it expected £1.6bn (\$2.6bn) to be available for sport between 1995 and 2000

from the National Lottery.

Local sports facilities and a possible new national stadium may be funded by the lottery, which is first drawn on November 19. Sport is one of five "good causes" that will recaive an equal share from every £1 ticket sold.

We're helping our clients write the book on customer service.

> And here's the last word: customerize.

From banking to airlines, from telecommunications to government, Unisys has built a reputation for helping our clients help their customers.

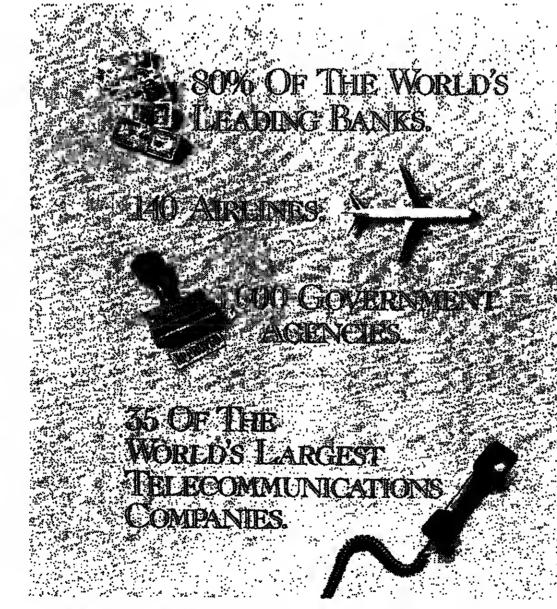
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## **MANAGEMENT: MARKETING AND ADVERTISING**

## The old school lie

do independent schools improve their I market position, as recession continues to make invoads into pupil numbers? The answer seems to be: by moving

for Mr Michael House

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up the league tables. Parents place increasing weight on exam results with the consequence that those schools which perform well cite their league position in their advertis-

At face value, this is a wel come development. If schools are forced to improve academic results, they are boosting the fundamental quality of their product. But the suspicion is harboured in some quarters that certain schools have worked out how to doctor the results.

After the FI's school survey was published last month, a humorous missive arrived from Uppingham, a Leicestershire boarding achool. The Uppingham Newsletter, tongue in cheek, provided heads with ways to massage their figures:
Challenge the results with the examiners. "Obviously you won't want to include the results in your statistical submission, because they are not really results at all, are they?" "Weed out" pupils who do badly in the mock exams. "Obviously Nigel should not be allowed to take the A-level. It wouldn't be fair on him."

 Establish a "private examins tion entrance centre-St Custard's", and enter your 20 per cent weakest candidates there: "St Custard's won't do very well, but you will!" · Recruit pupils from Ger

many, for example, and enter them for A-level German. • Omit results for those who have been at the school "just for a year's experience - they can't be expected to do terribly well". Start at the very beginning and refuse to permit students to take "hard" subjects, even if they want to.

The newsletter notes mischie-

vously: "Nobody would even think of such things, would they? You'd be surprised."

John Authers A STATE OF THE STA

hen women in Maddid and Lisbon want a bra, they head for Marks and Spencer. The UKbased clothing and food retailer is building a Spanish and Portuguese retailing empire on selling lingerie. The reason, say M&S managers, is that local retailers are decades behind in the way they sell these intimate garments.

Many offer only three sizes of bra - small, medium or large. Products are displayed in glass cases; buying one requires an assistant reaching up and taking a box from a shelf behind the counter. Marks and Spencer, by contrast, sells a wide range of bras, displayed on open fixtures, in 17 sizes. We really do lead the world in bras and knickers," says David Dewhurst, commercial manager of Marks and Spen-

cer's Portuguese franchise. Being a successful international retailer, however, means more than providing 17 bra sizes, as Marks and Spencer has discovered. The history of its expansion overseas has not always been happy.

In 22 years of trading in Canada it has rarely done better than break even, with local inhabitants never really taking to its stores. D'Allaird's, the Canadian chain M&S acquired in the 1970s, has, per-

formed a little better.

More recently, M&S underestimated the work it would have to do to bring Brooks Brothers, the upmarket US clothing chain acquired in 1987, up to group standards. Elsewhere, however, across Europe and in east Asia, Marks and Spencer is at last becoming a successful cross-border operator.
As well as 322 Brooks Brothers

D'Allaird's and Kings Super Markets stores in North America and Japan, and its 40 M&S stores in Canada, it has 32 company-owned stores in six countries outside the UK, from the Republic of Ireland to Hong Kong. It also has 76 franchise stores in 18 countries from Austria to Indonesia. In its most recent fullyear results, 13 per cent of Marks and Spencer's turnover and 7 per cent of operating profits came from outside the UK.

It used to be a rule of retailing that stores groups that succeeded overseas were those that "sold their country", whose image and products were closely associated with a particular nation.

That no longer holds true. Retailers such as Toys R Us of the US and the Swedish furniture retailer Ikea dominate every market they enter not because they are American or Swedish, but because they sell a bigger range of better products than their competitors, at better prices. The UK's Body Shop has expanded into 45 countries by selling innovative "natural" products. Britishness searcely comes into it.

Neil Buckley explains why it took so long for Marks and Spencer to crack

the international retailing market

## Food for thought



What these retailers have in common is a "imique selling point", setting them apart from competitors. Marks and Spencer's USP, however, is complex customers outside the UK seem drawn to its stores for many different reasons.

Part of the reason is still its Britishness. Overseas store managers admit that classic "British" products, such as Harris tweed jackets or flannel shirts, always sell well. But, says Juan Jinojosa, a director of Cortefiel, the Spanish retailer which owns 20 per cent of Marks and Spencer's Spanish business: "Early in the life of Marks and Spencer in a new country, its British appeal is important. But the day quickly comes when the appeal is more the strength of the product and the service."

An important reason for customers choosing M&S is that it offers a variety of other products not available locally, at least in such depth. or for such a good price. Lingerie is in this category - in Madrid it accounts for almost a quarter of turnover, compared with 13 to 15

per cent in UK stores. Children's-Sometimes the products are more unusual, especially in food. In Marks and Spencer's new Paris store, which opened in September on the Rue de Rivoli, some of the best-selling products are ready meals, especially Indian meals - not widely available in France.

But perhaps the most important ingredient of Marks and Spencer's overseas stores is that they are able to meet local tastes and offer products similar to those in local stores

- but at superior quality and prices Both internal and external factors have made M&S better able to do this now than it was when it first expanded overseas in the 1970s. One external factor is that international tastes have started to converge, due to growth in foreign travel and

cross-border television and media.

Alan Lambert, Marks and Spencer's divisional director for continental Europe, says the "European consumer" is now a reality. "I personally wouldn't narrow it down to Europe," he adds. "There is already an international consumer."

Individual tastes do persist in different countries, but internal changes have helped Marks and Spencer address these. The group has developed the flexibility to construct a product offer made up of "core" bestsellers surrounded by products tailored to local markets.

This does not work everywhere Canada being the obvious example - and M&S still makes mistakes, but it has learned to rectify these more quickly. Dewhurst says more quickly. Dewnurst says research a few years ago in Portugal found shoppers loved Marks and Spencer's lingerie, but thought its clothing "ugly". By swapping the contemporary bodies and leggings it had been trying to sell for more "classical" blouses and skirts, it was able to meet local testes. was able to meet local tastes.

With all tills in company-owned stores linked to a giant computer centre in west London and franchise operations increasingly being linked to the same system, the group can quickly pick up trends, spotting which products are not selling, and make adjustments accordingly. Moreover, all products are sourced through its central buying organisation and supplier network, which, says Alan Hodges, Madrid store manager, means M&S can be "unbeatable value".

That is in spits of M&S'a prices in continental Europe being about 20 per cent higher than in the UK, owing to higher distribution costs. Prices, however, are coming down as M&S adopts its "outstanding value" campaign across Europe, involving lowering prices on popu-

lar products to boost volumes. There are perhaps two important lessons to be learned from Marks and Spencer's experiences. One is the importance of flexibility. Transplanting a store format and its product range from one country to another, as M&S tried to do in the 1970s, is not enough, even in the age of today's international consumer. The complexities of local tastes must be catered for.

But successful cross-border retailing does not necessarily entail reinventing the wheel, coming up with a highly innovative store format or concept. In the words of Alan Lambert: "Quality, service and value will sell anywhere."

## Deutsche Bank's motley crew

Andrew Fisher on a different kind of corporate advertising by Germany's biggest bank

ut together a theologian, a car company executive, a trade unionist, a former government minister and a couple of professors and what do you have? A motley collection, some would say, but for Deutsche Bank they have a common link. To Germany's largest bank, this is a group of people who can help polish its image after a year of

hard knocks. From Sunday, it will run a series of heavyweight advertisements in German newspapers where these individuals' views on work and society in an uncertain future will prehensively presented. The bank will scarcely be mentioned, although its name and line-in-a-box logo will be printed at the foot of the articles. Why is the bank doing this?

Clearly, an image-burnishing campaign would not go amiss at the end of a year in which it has featured uncomfortably in the spotlight First its role as bareholder and creditor of Metallgesellschaft, which made heavy losses on US oil futures trading, was highlighted. Then came Jürgen Schneider's collapsing property empire, to which the bank was a significant lender, followed by his disappearance. Banks in general have been criticised for being too mattentive to customers' needs.

But the current campaign. masterminded by Abels & Grey, a self-styled corporate mission agency in Düsseldorf, is not like the usual burst of promotions. The latest run of advertisements has more to do with broad social and philosophical issues, although the egency does plan an image campaign along more usual lines next month.

Such a concept-oriented approach in advertising is novel. Horizont, the German marketing weekly, says the campaign "breaks through the accepted boundaries of institutional communication". Its theme is Work of the Future - the Future of Work; the articles are somewhat daunting two-page reprints of speeches on the subject by Hans King, a controversial Catholic theologian, Heinz Riesenhuber, former research minister, Wolfgang Reitzle, BMW's development director, Walter Riester, deputy head of the I.G. Metall trade union, and two professors from Constance and Bonn. The speeches were given at a conference of the Alfred Herrhausen Society, formed in memory of the bank's former chairman, killed by terrorists five

years ago. This week the bank has run 60-second television commercials foreshadowing the campaign against a background of job uncertainty. According to Horizoni; "No large German company, and certainly none of the big banks, has dealt with such social themes in a way that is so public and so removed from its

own business". It calls the bank's action "courageous" but says it also carries a high risk, especially since each article would be prefaced by the words: "Deutsche Bank - we support the future." This would be a yardstick by which the bank would be

Deutsche Bank accepts this risk "We are under the gaze of the public," writes Hilmar Kopper, the chairman, in Forum, its house magazine. "As one of the leading corporations in Germany, we are quite obviously involved in many social activities which go beyond the purely commercial." By this, he means the bank's responsibilities as an employer and member of the community, supporting environmental

research and helping the disabled. It is this "other side" that the bank wants to bring more into the open. Kopper says Deutsche Bank's "traditional reticence" about the wider aspect of its activities had led to "a certain one-sidedness" in the public's view. In future, it would provide more information about how it fulfilled its social responsibilities Horizont hopes more companies will follow suit. No doubt, they will await the response to

Deutsche Bank's campaign first.

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# Wolf Carefordus



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These clients live on three condnents, in 16 countries, each of which has a different culture and different retirement problems. Cross fertilization, as we practice it through specialized international synergy committees, has been instrumental in helping us devise innovative end thoughtful solutions...

Our experience as the fourth largest insurance group in the world, based on funds under management, having being entrusted with more than \$220 billion, tastifies equally to our performance and our strength.

So you can see that we are not speaking lightly when we say : "Go ahead. You can rely on us".

**INSURANCE & INVESTMENT** 



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Imagine getting the story direct from the source, live, without delay.

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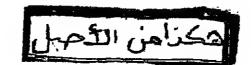
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#### **TECHNOLOGY**

## Specialists come to the patient

Telemedicine may save time and money, writes Vanessa Houlder

pregnant woman lies on an examination table at St Mary'a Hospital on the Isle of Wight. An uitrasound scan has picked up a potential abnormality in ber baby.

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Eighty miles away, in Queen Charlotte's Hospital in London, an expert is watching the progress of the scan as It takes place on a TV screen. At intervals, he freezes the screen and takes measurements of the image. Within a few minutes, he is able to assure the sonographer and patient at the other end of the

line that the pregnancy is normal. This system of transmitting scans at St Mary's to specialists in London via an Integrated Services Digital Network (ISDN) link is now in the early stage of a six-month trial.

Several benefits of the system are already apparent, according to Nicholas Fisk of Queen Charlotte's Hospital. It spares many women the anxiety of waiting for a consultation and the expense of travelling to a specialist centre. Because it is less stressful for the mother, sonographers are more likely to get a second opinion for borderline cases.

The system may also save the specialist hospital time and money. The equipment – provided by BT for the trial - costs around 260,000. But it may allow the specialists to be more productive, reducing the £500 cost of the

average consultation. The Isle of Wight experiment is not unique. The falling cost of equipment is encouraging hospitals around the world to experiment with telemedicine transmission of medical data and mages between medical centres in order to improve services for remote areas or to make top specialists available to countries

that lack a particular expertise. Last month, doctors in Saudi Arabia were linked to specialists in the radiology and pathology Massachussetts General Hospital,

in what WellCare, the network provider, describes as the first international telemedicine link. The system works by digitising and compressing images of

patients' X-rays, MRI (magnetic

resonance imaging) and CT (computerised tomography) scans. These are then sent down telephone lines in the course of a few minutes to specialists at Massachusetts General Hospital, who can respond in minntes if the case is an emergency. Patients are charged the same fee as those

who visit the hospital in person The advantage is that this system depends on ordinary telephone lines. "Doctors and patients most likely to need this service are those least likely to have access to sophisticated telecommunications," says Ricky Richardson, executive vice-president of WellCare.

Video conferencing is another increasingly important strand of telemedicine. Over the past year, a video connection between a community hospital at Peterbead in Scotland and the Accident and Emergency Specialist Centre in Aberdeen has saved many patients from having to make a 100-mile round trip to Aber-

A wide range of medical problems can be diagnosed in this way. Even psychiatric patients can be interviewed using video links, according to Steinar Pedersen, head of the department of Telemedicine at the University Hospital in Tromso, Norway. "The patient feels in complete

control." he says. Doctors who have taken part in these experiments with telemedicine report that problems have tended to be related to administrative, rather than medical, matters. Telemedicine often cuts across existing funding mechanisms. It also raises issues of medical accountability and liability. But the champions of telemedicine believe these oblems are surmountable and should be offset by its numerous advantages.

They believe that telemedicine cuts the expense of consultations and so offers a partial solution to the spiralling costs of hospital care. It fits in with the ambitions of the UK government to decentralise the National Health Service. It should also make specialist services more convenient and accessible for

young man triumphantly slams a basketball through the hoop while a woman works out on the Ireadmill. Dozens of used running shoes are beaped in the corner, and a golf player awaits his turn to try out his back swing on the astrotuct.

This is not an exclusive health club, but the research laboratories of Reebok in Stoughton, Massachusetts. For Reebok, as for other hightech sports shoe makers such as Adidas, Nike, L.A. Gear and New Balance, recreation is big business.

The basketball player is stepping on a sensibve "force plate", a device beneath the boards that measures the force of the player's landing after his jump. The woman on the treadmill is wearing reflectors on strategic parts of her legs and fect. The action is recorded on high-speed video - the reflectors' movements are then isolated and fed into a computer, where they will be studied in detail.

The heaps of running shoes will be inspected to determine how well they held up over miles of use, and the golf player will eventually be converted into a computer stick figure, so that scientists can study the movement of his foot during the back swing.

Technology in the sports shoe industry has come a long way in the last 20 years. In the 1960s, most people expected no more from a sports shoe than a little foam and rubber, with canvas or leather on top. The running craze of the 1970s sparked the first interest in slices tailored to a specific sport.

Since then, the sector has blossomed. Companies have tapped research in the aerospace and transport industries to make improvements in design. Shoelaces have been replaced on many models by a less complicated strap system. Sports shoes are pumped up with air, reinforced with high-tech materials, sculptured to the foot and manipulated to eliminate excess

Consumers bave responded enthusiastically. The global wholesale athlatic footwear industry reached \$12.1bn (£7.3bn) in 1993, according to the NPD Group, a market research firm. For 1994, the figure is forecast to be even higher. Manufacturers are always looking

for new sports to add to their product line. The recent enthusiasm for mountain biking inspired a crusade for the perfect mountain-biking shoe. Adidss is considering developing a shoe for snowboarding, a sport which has taken off in the US, and New Balance just arrived on the market with a new boat shoe, an alternative to moccasins. Companies are also trying to

expand their market by making shoes for sports more commonly played in Europe and Asia than in the US, Nika, for instance, will



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Sports footwear manufacturers use high technology to cater for all kinds of athletes, writes Victoria Griffith

## Shoes that go one step ahead

they can hurt their knees. Reehok is

trying to design a shoe that would

offer both forward and lateral trac-

tion, but would still give way on a

Even within one sport, athletes'

twisting motion.

introduce a new line next year that includes footgear for squash, handball, volleyball, cricket and rugby. Hiking boots are also attracting attention, and for good reason. While a tennis shoe, for instance, rarely sells for more than \$120 a pair, hiking boots are often \$200 or more. There is also much room for improvement. Most hiking boots are unnecessarily uncomfortable,

according to Spencer White, head of research at Reebok. Because every sport involves different foot movements, manufacturers say athletic shoes need to be tallored for a specific use. Games such as bandball or tennis, for instance, require a great deal of lateral (side-to-side) movement, requiring a more stable shoe than one worn by walkers. Soccer players like a ahoe that fits like a glove, and used to buy footwear too small before manufacturers latched on.

American football players need

good traction. However, if the shoe

gets stuck on a twisting movement,

needs may vary. A dribbler, or defeoce player in basketball, for instance, needs to move fast and Footwear manufacturers were

met with surprise when they showed up at aerospace and transport fairs

usually prefers a lighter shoe. But offensive players are normally bigger and heavier, and require more stability in the heel for jumping. "Everything is important, from the form on which the shoe is built to the heel width to the tread pattern,"

says Edith Harmon, product development manager for New Balance. Besides laboratory testing, manu-

facturers rely on top athletes and testers, often referred to as the weekend warriors", for input, "The big athletes are important, but we get even more feedback from people who play sports casually," says Guy Marshall, a footwear designer for

One of the main challenges in the industry is to design a shoe that is both light and strong. "We are looking to take every last gramme of material out while maintaining the shoe's stability," says Harmon. The right materials are of prime importance, Footwear manufacturers were met with surprise when they showed up at aerospace and transport fairs in the 1980s. Now they have formed direct contacts with chemical firms and other materials developers.

Nike, for example, uses a Du Pont concoction called Keviar for its tennis shoa line. "One of tha main

problems in a tennis shoe is getting durability in the forefoot, because players tend to drag their toes, says Richard Oldfield, product line manager for the group. "Kevlar added strength to the shoe without introducing heaviness." The material was used in bullet-proof vests and for brake pads on logging lorries before Nike took it up

Makers of running shoes, which need to be especially lightweight. started experimenting with mesh materials in the 1980s. Now meshes are everywhere. Nike also uses a material called Ultralam, used in windsails for windsurfing, for its cross-country training shoes. "It is light-weight, thin and strong, and we apply it in areas needing extra

support," says Oldfield.
One of Reebok's latest products, the InstaPump Fury, makes good use of high-tech materials to achieve a lighter weight. The company'a studies revealed just how little pressure most runners place on the arch of their foot. The manufacturer's response was to eliminate the central section, concentrating material in the forefoot and heel.

The result looks like a cross between a high-heel hiking boot and an alien's idea of walking shoes. The foot is given support in the arch through an incredibly thin, lightweight and strong material called Graphlite. The material, originally used in the wings of aeroplanes, runs glass fibres one way and carbon fibres the other, and is covered with a plastic resin. "The three materials together are much stronger than they would be separately," says White.

To try to eliminate stress and injury, New Balance uses former transport industry sbock absorbers that were once used as a replacement for a heavy steel spring. It also manufactures long-distance running gear with high-wearing, abrasion-resistant rubber.

One of the most important innovations in recent years has been air tubes. Nike and Adidas use air chambers in shoe soles for lightweight stability. Reebok uses inflatable uppers for a snugger fit.

It is uncertain how far the industry can take Its fascination with high technology. Marshall says the last significant innovation was the air pump. "We are waiting for some thing really big like that to take the industry forward again."

Fashion, of course, will play a part in the industry's future, but manufacturers say it is not their mainstay. "A lot of people who buy these shoes may never practise the sport," says White. "They just want to wear something that looks cool. Wa love these people, but we can't surviva just with their purchases. We need athletes who buy the shoes because of their superior performance. And that is where the high technology comes in."

#### **PEOPLE**

#### Reuters' Sanderson and Buford Smith, president of Reuters NewMedia, will report Jean Wood takes on the States

Reuters Holdings, the financial information and naws company, has promoted Michael Sanderson, chief executiva officer of Instinct, its fast-growing, US-based equity brokerage service: From January 1, he will become chairman of Reuters America Holdings, which oversees all the group's activi-ties in the Americas.

Sanderson, 51, who will con-tinue as Instinct's chief executive, will report in both roles to

■ David Thompson has been appointed md of James Robinson, part of HOLLIDAY CHEMICAL HOLDINGS; he

moves from BP Chemicals and succeeds Robert Rae, deputy

chairman of James Robinson,

who becomes md of Holliday

■ Ian Upsen has been appointed md of ESSO PETROLEUM Co and joins the

Petroleum Company and Esso Exploration and Production

■ Paul White, formerly financial director for Marconi

boards of Reso UK, Esso

Andre Villeneuve, an executive director of the London-based group who currently chairs Reuters America Holdings.

Instinct, Reuters America responsible for the group'a financial information and media activities - and Reuters NewMedia, which has recently made a series of small multimedia acquisitions in the US, will continue to operate as separate entities. Brian Vaughan, president of Reuters America, to Sanderson.

Villeneuve said the appointment was an important stage in tha development of tha group's activities in the Americaa. Including revenua from Instinct, the US now outweighs tha City of London as the group'a biggest single market.

Sanderson joined Instinct as president and CEO in 1990. Before that he was with Merrill Lynch, where he started in 1967 as an investment executive, rising ultimately to the position of chairman and ceo of Merrill-Lynch Canada. Andrew

#### Kermans finally bow out at BS Group

A long and bitter boardroom struggle at BS Group, the Bris-tol-based property and leisure company, has come to an end after three members of the

The announcement was the

Radar and Control Systems, has been appointed finance director for UKAEA Government Division ■ David Dunbar has been appointed director of US-based EnviroTech, part of WEIR GROUP; he is replaced as chairman of Darchem Engineering by Alistair

Ross Goobey puts his

words into action

Kerman family resigned. that they would leave the

culmination of the efforts of non-family shareholders to non-family shareholders to remove the Kermans, who have been associated with BS, formerly Bristol Scotts, since before the second world war. In August, Anthony Kerman was deposed as chairman and replaced by Sir Ian Rankin. Two months later Scotts Hold-

ings, a property group bessed in Singapore, bought the Ker-mans' 26.97 per cent stake in the company for £3.1m. This was held by Anthony Kerman, his brother Nicholas and their

Alastair Ross Goobey, chiaf

executive of Postel Investment

Management and one of the

most forceful advocates of

property as a financial asset, is

taking over as president of the Property Investment Forum.

The Forum was set up seven years ago to debate and com-

ment on issues relevant to the

property investment commu-

nity. It now has around 700

members drawn from the prop-

erty, legal, actuarial and other

ning the UK's largest pension fund, he is a former Treasury

father Isidore.
Scotts is quoted on the Singapore stock exchange but is controlled by the Jumabboy family, who at the time of the huy-ont agreement received assurances from the Kermans

Ighal Inmabboy, Rafik Jumabboy and Bryan Burlet-son, a business partner of the Jumabhoys, have taken three seats on the board as non-executive directors. Sir Ian remains chairman.

BS returned to the black this year for the first time since 1988, with a pre-tax profit of £429,000 for the six months to June 30. The interim dividend of 3p was the first distribution since 1989. James Whittington

adviser to Normant Lamont and author of Bricks & Mortals, a readable history of the last boom-to-bust property

Yet he takes the belm of the IPF at a time when many of his peers are losing interest in property. The average pension fund now has only around 6 per cent of its assets in commercial property, against 20 per cent at the start of the

Ross Goobey believes part of the answer could be new forms of property investment, which could mean another look at ways of unitising property to appeal to fund managers. Ross Goobey's involvement is sure to raise the profile of the group. In addition to run-

■ Michael Queen, a director of 3i, has joined the PRIVATE FINANCE PANEL executive

#### promoted at **Îrish Life**

Brian Duncan is to step down as chief executive of Irisb Life Ireland as part of the company's reorganisation of its European operations.

Duncan, who joined the company after leaving school, has been in charge of both retail and corporate arms. His departure follows a merging of the company's retail business in Ireland and the UK under a new chief executive, Jean Wood, currently bead of Irish Life's European business. Cor-porate activities are to be headed by Kevin Murphy, cur-rently in charge of invest-

Irish Life's managing director David Kingston says Dun-can, 49, believes "it is now time for a change – both for himself and for Irish Life"

Duncan declined to take one of the two new positions cre-ated by the management review and is now said to be favourite to take the vacant position of chief executive of VHI, the big state health insurer. John Murray-Brown

■ Rick Hudson has been appointed operations director of ROYAL INSURANCE

■ Nigel Keess has been appointed director of operations with responsibility for the customer service and systems departments at SCOTTISH PROVIDENT INTERNATIONAL.

 James Gilchrist, deputy chief executive and general manager (sales), has been appointed to the board of SCOTTISH LIFE ASSURANCE COMPANY.

 Adrian Daly has been appointed chief executive of HIBERNIAN GROUP, Ireland's largest home insurer, on the retirement of Eamon Walsb. ■ Michael Pendle has been appointed director, general insurance at ABBEY NATIONAL; he joins from National & Provincial Building

■ David Drury, appointed information technology director, and Vyvienne Wade, legal director, have joined the boards of JIB UK Holdings and JIB Overseas Holdings: Drury moves from Bain Hogg.

 John Rampe, a director of UNITED FRIENDLY GROUP for 43 years, died last month. For more than a century and a half, Patek Philippe has been known as the finest watch in the world. The reason is very simple. It is made differently. It is made using skills and techniques that others have lost or forgotten. It is made with attention to detail very few people would notice. It is made, we have to admit, with a total disregard for time. If



a particular Patek Philippe movement requires four years of continuous work to bring to absolute perfection, we will take four years. The result will be a watch that is unlike any other. A watch that conveys quality from first glance and first touch. A watch with a distinction: generation after generation it has been worn, loved and collected by those who are very difficult to please; those who will only accept the best. For the day that you take delivery of your Patek Philippe, you will have acquired the best. Your watch will be a masterpiece, quietly reflecting your own values. A watch that was made to be treasured.



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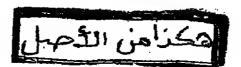


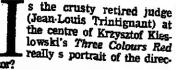
Todd Gray, musical instrument manufacturer. "We installed a few Power Macintosh 8100 computers as a test, and have installed several more since. People prefer working on them. They're easier to use and significantly faster than our PCs. We know this because they work side-byside, running the same applications and working with the same data. It's really very impressive. And because they're priced at or below what we pay for network-ready PCs, we'll certainly be adding more soon."

Power Macintosh. It's a better future than you expected.

Power Macintosh from Apple







Kieslowski is now a crusty retired film-maker. Before unwrapping this farewell movie at Cannes last May, he announced that he was going into a life of chain-smoking leisure and contemplation. Like Judge Trintignant, he realises that truth is a desperate thing to keep chasing: and that curiosity about human beings is not necessarily an honest virtue, just as often it may be, or may become, a sleazy addiction.

Trintignant, deep in the booklined villa where the film's student/ fashion-model heroine (Irene Jacob) first finds him, after she has injured his Alsatian dog in a car collision, spends his days tapping into neigh-bours' phone calls. Like s movie-maker he flirts with omniscience. He knows of the next-door bus-band's guilt: "Sooner or later he'll jump out of s window and his wife will know everything." He knows too about the blonde girl who is two-timing her young lawyer boyfriend who happens to live near Jacob herself.

A few scenes later, prompted by our herome's virtuous indignation. Judge Trintignant reveals his crimes to the cops and the newspa-pers. Enough with the hi-tech voyeurism, he seems to say. And is Kieslowski saying the same?

Three Colours Red rounds off the Polish film-maker's tricouleur trilogy with this essay on fraternity. The movie, like the Judge, often seems tired. Many of the metaphysical Kieslowski twitchings were displayed to better effect in Blue.

This goes for the obsession with parallel lives. Is Mile Jacob's young lawyer neighbour mystically re-living Trintignant's life, right down to exact, reverberant incidents like the dropping of a pile of exam books in the street? It also goes for the direc-tor's fondness for deus ex machina wrap-ups. In Red we have a hideously glib ending in which a crosschannel ferry is sacrificed to bad weather so that six people can survive to reveal themselves as - yes! the key young characters from all three trilogy movies. This includes the young lawyer, at last huried by Fate into Jacob's arms.

Red begins as a movie about communication between people and generations. The opening sequence is a dazzler: camera snaking at high speed along phone cables as they plunge through earth and thep under the sea. And thereafter the film's titls colour is picked out in each scene, warmly, brilliantly, like a electronic beacon between strangers and ages.

But midway through the film we start to get an empty, hungry feel-ing. Surely Kieslowski and regular co-writer Krzysztof Piesiewicz have forgotten something vital: to putreal people into this story. Where nast herotnes - Juliette Binoche in Blue, Irene Jacob in The Double Life Of Veronique - were tortured, touching souls grappling with ths tragicomedy of everyday life, no one in Red lives and breathes except as illustrations to a thesis. That thesis is: Everything, for good and ill, con-

Trintignant's Judge is the sacred and profane side of our Neighbourbood Watch epoch: satanic, bs snoops; God-like, hs can confer happy endings. Jacob's leggy, open-

commission

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what

n Tuesday, thanks to a

London Symphony

made



A too, too neat last testament from Krzysztof Kieslowski; Irene Jacob in 'Three Colours Red'

Cinema/Nigel Andrews

## At the end of the rainbow

hearted model is a sort of Miss Perfect Human Communion 1994. And the setting is Geneva, world capital of brokered harmony. In the Kieslowski cannon the jagged realities and loose nerve-ends of Blue, and the song without-end mysticism of Veronique, have been put away for this too, too neat last testament. Red shows that even lives that do not naturally connect can be forced into harmony by a little hi-tech hotwiring mixed with supernatural

ut avery film industry likes to compel human unions when it cannot germinate them naturally, Each film this week is a variant on that oldest coercive formula of all: Boy Meets

 Nicholas Kazan's Drewn Lover is a directing debut by the screen-writer of Patty Hearst and Reversal Of Fortune. So we expect a few fris-Boy (James Spader) meets girl (Madchen Amick); then boy starts to wish he had not met girl when Amick shows signs of deceit, infidelity and a hidden past. Boy ends up in a mental asylum hatching

While ambiguity thrives, the film has a wicked wit. Kazan lets Speder get aver more lost amid the chic

white spaces of his home and office - be is an architect (but, ah irony, not of his own destiny) - while Amlck's dream-bride beauty becomes ever more sinisterly blanched and iconic. For 80 of its 103 minutes, we are guessing, fretting and chewing the nearest set of fingernails. But the ending is a disaster; a surrender to thriller cliché that should be stamped like a black spot on Kazan's directing CV,

to warn future employers.
In Rory Kelly's Sleep With Me, boy (Eric Stoltz) meets girl (Meg Tilly); boy marries girl; boy then discovers that second hoy (Craig Sheffer), his longtime friend, has raging passion for girl. We move into a Jules and Jim syndrome, Cal-ifornia-style, in which kooky triangular fun alternates with moments semi-murderous intent.

Six scriptwriters, including Neal Jimenez (River's Edge) and Roger Heddon (Bodies, Rest And Motion), each worked at different story sections: which explains why the film feels lika a game of consequences played out by the students of a creative writing class. Some innocentseeming scenes are sharp as a paper's edge. Others, notably the rambling "confessions" to video camera during a long harbecue sequence, are as blunt as yesterday's writing ideas that you balled up and threw into the WPB.

Concert/David Murray

THREE COLOURS RED (15) Krzysztof Kieslowski

Nicholas Kazan

DREAM LOVER (18)

SLEEP WITH ME (18) Rory Kelly

FLESH AND BONE (15) Steve Kloves

IT COULD HAPPEN TO YOU (PG) Andrew Bergman

Do watch, though, for a funny cameo by Quentin Tarantino as a party guest deconstructing Top Gun as a gay fable.

As for Flesh And Bone, what ever high-concept story conference produced this? Boy (Dennis Quaid) meets girl (Meg Ryan). Boy, we learn, is the grown-up ex-accomplice of a violent burglar father (James Caan) who shot to death the girl's family when she was a bahy. So the stage is set - or the flat, moody, infinite Texas landscape for a flat, moody, infinite film. The slow incubation of revenge shares screen time with the grimly inert

soo of Ingmar: if only. Inemar should have taken over this film and given it teeth and mania. Boy (policeman) meets girl | where that production focused on (waitress). Boy, in lieu of tip, promises girl half whatever he wins oo a lottery ticket. Boy wins lottery. Boy wins girl. Boy's wife (Rosie Perez) promptly goes berserk, which provides the only comedy in

"lerve" story at the centre. It feels like a bad O'Neill play

staged by a community theatre company: one of those outdoor

productions where the audience has

to keep moving its chairs around.

Now we are watching everyday

small-town life as it is clumped through by Quaid, a man of few

words and none of them interesting.

Now we are out in the cornfields

with Ryan, wondering why the talented star of Sleepless in Seattle

took on this rewardless, one-note

role. Ah, yes; of course. She is married to Quaid.

Dynastic connections are important in Hollywood. It Could

Happen To You is a romantic comedy starring Nicolas Cage,

nepbew of Francis Coppola, and

Bridget Fonda, daughter of Peter,

and directed by Andrew Bergman.

a film so thick with anodyne, lolloping romance that by the end we are crying out for one of those murders so generously on offer in the week's other movies.

elusive sounds and colours, we needed more palpable structure, less stop-go, Probably Russian ears can fasten more quickly upon the gbosts of traditional tunes, and maybe discern a development that remained opaque to the rest of

As a matter of fact the largest faction in the audience was Japanese, drawn presumably by Ozawa. He conducted a scrupulous Beethoven "Pastoral" too, tame in the peasants' Scherzo but limpid by the stream: pleasant, unmemorable.

Sponsored by Yamaichi

#### Theatre in London

## Alice's Adventures **Under Ground**

ack we go into the nurs-ery, into the place where ws now analyse childhood enchantments in context of disenchanted knowledge of adult life. Can there be one simple reaction to Alice's Adventures Under Ground, Christopher Hampton's new adaptation of Lewis Carroll's writings and aspects of his (i.e. Charles Dodgson's) life? On the one hand, since this Alice is full of episodes from those classic books, it is a bracing dip back into a sane child's discovery of the nonsensical grown-up world. On the other hand, it is a disturbing study of the stammering, polite, scholarly Dodgson's melancholy fascination with little

Hampton means, I take it, to examine Carroll's creativity in terms of what Edmund Wilson called "the wound and the bow": the wound, in this case, being Dodg-son's paedophila inclinations, the bow being the tales he told to his listeners. The wound/bow theory proposes that the spot where some artists are psychologically vulnerable is precisely what gives them their creative genius. In Martha Clarke's staging, there are only five actors, and the overlap between little Alice Liddell's real world and the dream world that Dodgson creates for her is considerable.

Hampton's view of Dodgson/Carroll is compassionate - too much so. The bow only interests him as far as it reveals the wound, and many of the books' multi-faceted quotations are so placed that we read them in terms of Dodgson's private feelings. "Seven and s half! Uncomfortable sort of age. If you'd asked my advice, you'd have left off at seven." We also watch Dodgson start to cry as he slowly unbuttons little Alice's dress.

But Carroll's own mind, for all its pathos, is weak tea beside the intoxicating concoctions of his tales. Though Alice's Adventures Under Ground is sensitively shaped, its eventual thrust is merely sentimental. And sentimentality, surely, is wrong for the man who made Alice cry out "You're nothing but a pack

Robert Israel's nursery set is eloment: one look at its rocking-horse its white wells, its large dark looking-glass above the mantel, and we are prepared for meanings both surreal and psychological. John Carlisle, Gabrielle Lloyd, and Joseph Mydell play a marvellous range of supporting roles. Martha Clarke has them act with a fine dash of exaggerated intensity.

Sasha Hanau would be an ideal Alice - grave, focused, precise responsive - if she did not gabble rapid lines. Michael Maloney (despite overdoses of vocal virtuoslty) beautifully crestes a Carroll/Dodgson of immense courtesy, birdlike staccato head movements, and eyes both burning and pleading. He is adult among children, child among adults. Judiciously, Hampton and Clarke have him play his own Dormouse.

Alastair Macaulay In repertory at the Cottesloe Thea-tre, South Bank, into 1995.

#### 'Romeo' from Tel Aviv

he large sculpted horse that is the only prop in Rina Yerushalmi's production of Romeo and Juliet looks rather startled - as well he might. As a symbol of escape, he is to carry the burden of the tragedy on his back: Romeo and Juliet meet on him, act out the balcony scene on him, and cling to him desperately as things go wrong. It is a simple device, yet a surprisingly eloquent one, and typical of this beguiling production from Tel Aviv.

This, the second Romeo and Juliet in the Everybody's Shakespeare sea-son at the Barbican, is very different from the stark German production that launched the festival last week. Where the German production on the main stage was long and large scale, the Israeli one, staged in the Pit, is intimate and condensed; the confrontation in the play at the expense of the romance, this one emphasises the theme of love, at some cost to the violence; and where the first one created a hleak and harsh world, the second is soft, beautiful and sometimes bewildering.

The mood of the piece even seeps out into the foyer. As the audience collect their tickets, a pair of masked lovers wander among them, looking rather lost. Inside, halfmasked actors in hlack cloaks pad about the auditorium, smiling tan-talisingly at the audience and addressing them, somewhat mystifyingly, in Hebrew. Soft music and subtle lighting suffuse the theatre in the languorous atmosphere that will permeate the production.

Yerushalmi's intent, as she explains in the programme, is to use the language of theatre to capture the intoxicating feeling of being in love. She builds to some extent on commedia dell'arte, which helps to establish the mischievous, inventive mood of her production.

strolling players, are inspired by the Chorus to perform the play and act out the opening brawl in playful spirit. As they and the audience are sucked into the story, however, the mood changes.

Once Romeo and Juliet have met, the play is compressed to the main moments. The central Romeo and Juliet remain on stage while other members of the cast speak their lines or perform their actions. This suggests the engulfing nature of love and its ability to distort perception. It works wonderfully in places. As the couple part after their night together, the main Romeo and Juliet stand wrapped around each other in mute adoration, while another couple speak their thoughts. And when Juliet visits Friar Laurence for the potion that will put her to sleep, four actresses creep around the stage in the flickering light, each totally wrapped np in her task. This may sound bizarre, but on stage it works, emphasising both the universality and the loneliness of passion.

There is a price to be paid for this conceit. Sometimes it is confusing, sometimes it just seems tricksy and throughout it sacrifices the continuity of character that would help you empathise with Romeo and Juliet and experience their tragedy. The production also gives little hint of danger - the fight between Tybalt and Mercutio is a rather stagey affair. But there are some purely enchanting moments - to portray the ball, for instance, the actors simply file softly onto the stage carrying sparklers and surround Juliet in flickering light - and the whola production is performed with such charm, hit and gentleness by the Itim Theatre Ensemble that it is hard to resist.

Sarah Hemming

Continues to November 12 at the

#### Rostropovich plays Shchedrin the double sense of intimating flutes - and of all the other cellos.

possible by Sir Jack and Lady Lyons, we heard Mstislav Rostropovich in the world premiere of a cello concerto, a "Sotto voce concerto". The composer Rodion things close to the composer's heart, and of being specifically Shchedrin, now 62, is (slightly) conceived for Rostropovich's rare known in this country for his ballet The Little Humpbacked Horse and for his ballet adaptation of Carmen powers. The solo instrument is rarely silent, but mostly muted, even in tha huge cadenza that - not sotto voce music at all. His leads to the Finale. The full orchestra is used very sparingly: new concerto has been brewed in quite a different samovar. It is whispery, nostalgic, evocative, and highly personal, in the most prominent sounds are those of three soft, intertwined

generally divisi. A solo recorder lends a pastoral note, for Shchedrin is thinking of his childhood in "the sleepy tiny little place of Alexin on the Oka", in Tolstoy country. Most of the material suggests shepberds' songs and peasant rounds, mused and rhapsodised over by the cello with spectral orchestral echoes. Toward

the end, quite unexpectedly, the beavy brass come to angry life with rat-a-tat fanfares: war gripping the countryside, perhaps? Rostropovich wrung "meaning" from every phrase, of course, and we listened compulsively. But despite the best efforts of the

conductor Seiji Ozawa, the score sounded awkwardly diffuse for a 37-minute piece: amid so many

Barbican Tomorrow, Markus Stenz conducts London Sinfoniatta in tha first of a series of Schnittke concerts. Sun, next Tues: Mstialan Rostropovich, Yuri Bashmet and Giden Kremer join London Symphony Orchestra in an all-Schnittke programme (071-638

#### MADRID

Teatro Lirico La Zarzuela A zarzuele double-bill, consisting of Tomas Breton's La Verbena de la Paloma and Federico Chueca's El Bateo, opens on Sat for a three-week run (01-429 8225)

#### THEATRE

The third European Theatre Festival takes place between November 16 and December 18. Il opens with Bob Wilson's Paris production of Virginia Wootf'a Orlando. The Piccolo Testro presents a new Strehler production of Mariyaux's The Island of Slaves. The UK is represented by the Royal Shakespeare Company (Henry VI directed by Katie Mitchell) and the National Theatre (Christopher Hampton's new Lewis Carroll adaptation, Alice's Adventures Under Ground, directed by Martha Clarke). Other visitors include companies from Berlin, Stockholm, Barcelona, Cracow, St Petersburg, **Budapest and Bucharest** (02-861897)

Tonight: Kenneth MacMillan's Manon. Nov 14, 16, 17: Riccardo Muti conducts the Scala orchestra in a Mozart programme, with piano soloist Murray Perahia. Nov 21:

Teresa Berganza. Dec 7: opera season opens with Dia Walkure (02-7200 3744)

The actors, dressed as a group of

#### ■ PRAGUE

Belohlavek conducts Czech Philharmonic Orchestra in works by Ravel. Hummel and Hindemith, with bassoon soloist Frantisek Herman. Tues: Bohemia Saxophone Quartet. Next Wed: Czech Chamber Orchestra plays works by Martinu, Reicha, Dvorak and Janacek, with cello soloist Mikael Ericsson (02-2489 3352)

Orchestra dell'Accademia Nazionale di Santa Cecilia on Sat, Sun, Mon and Tues in a programme of Vivaldi flute and violin concertos. The orchestra's programms in the pre-Christmas period features Arturo Bonucci and Cecilia Gasdia as soloists, and conductors Christian Thielemann, Gennady Rozhdestvensky and Carlo Maria Glulini. All concerts take place at the Auditorio di Via della Conciliazione (06-6880 1044)

#### **TURIN**

Donizetti's La fille du réglment opens next Tues, conducted by Bruno Campanella, staged by Luca Ronconi and sung in French by a cast including Eva Mel/Laura Claycomb and Gluseppe Sabbatini/ Jorgs Lopez Yanez. Repeated Nov 18, 20, 22, 23, 24, 26, 27, 29, 30 (011-8815 241)

ARTS GUIDE

Pit (071 638 8891).

## **ATHENS**

Megaron Tonight, Sat: staged production of Podlenc's La voix humaine, starring Jeanne Pilou. Sun: first of five guest performances by Bolshoi Ballet. Nov 19: Shemil Milnes song recital. Nov 21: François Le Roux (01-728 2333/ 01-722-5511)

INTERNATIONAL

#### ■ BOLOGNA

Teatro Communale Mon: Roberto. Cominati piano recital. Next Wed Palazzo del Congressi): Lindsay Kemp dance programme. The opera season opens on Nov 26 with a new production of Rossini's II turco in talia (No telephone bookings. information: 051-529999)

#### ■ GENOA

Teatro Carlo Felice Tomorrow, Sat afternoon: Yoram David conducts works by Shostakovich and Dvorak, with cello soloist Mischa Maisky. The opera season opens on Dec 2

with Der fliegende Hollander (No telephone bookings. Information: 010-589329/010-5381 225)

#### ■ LONDON THEATRE

True West Matthew Warcus directs Sam Shepard'a drama about two bettling brothers in the Mid West Opens tonight for a three-week run (Donmar Warehouse 071-369 1732) • The Tale of Lear: Suzuki

Company of Toga presents its Japanese version of King Lear tonight, tomorrow and Sat, as part of an international Shakespeare season. Nov 16-19: Peter Sellars' Chicago production of The Merchant of Venice transports the play to Venice, California, a turbulent melting pot of racial diversity (Barbican 071-638 8891)

 Hamlet: the Globe Theatre has re-opened as the Gielaud with Peter Hall's new production of Hamlet, starring Stephen Dillane, Michael Pennington, Donald Sinden, Gwen Taylor and Gina Beilman (Gielgud 071-494 5065)

Three Tal Women: Edward Albee's critically-acclaimed Pulitzer Award-winning play stars Maggie Smith, Frances de la Tour and Anastasia Hille, directed by Anthony Page. Now in previews, opens Nov 15 (Wyndham's 071-369 1736) • The Prime of Miss Jean Brodie:

mix of romance and willulness Inspires her pupils (Strand 071-930 A Passionate Woman: Ned Sherrin directs a new production of

Kay Mellor's play, first seen at the

Patricia Hodge takes on the role of

the formidable schoolteacher whose

West Yorkshire Playhouse last year. Stephanie Cole stars as tha housewifa whose passion for life breaks out to the horror of her family. Just opened (Cornedy

071-369 1731) Moscow Stations: a one-person play, starring Tom Courtenay, inspired by Venedikt Yerofeev's acclaimed modern Russian tale about an alcoholic who stumbles

> 071-494 5085) The Seaguli: Judi Dench's Arkadina heads a splendid cast in Pam Gems' new version of Chekhov's play about disappointed aspirations. In repertory at the National with The Devil's Disciple. Bernard Shaw's 1897 satire on melodrama, and Racing Demon.

and dozes his way through a series

of surreal adventures (Garrick

David Hare's play about tensions in the contemporary Anglican Church (National, Olivier 071-928 2252) She Loves Me: the charming 1963 Masteroff, Bock and Harnick musical about two longtime pen pals who don't know they work in the same parfumeria. Ruthie Henshall and John Gordon Sinclair head the

#### cast (Savoy 071-836 8888) OPERA/DANCE

Covent Garden The Royal Ballet gives the first performance tonight of its Ashton celebration, including a new production of Daphnis et Chice designed by Martyn Bainbridge and conducted by Bernard Haltink (repeated Nov 11, 14, 16, 21, 28, 30). Anthony Dowell's new staging of Sleeping Beauty can be seen on Nov 18, 19, 23 and 26, with further performances in December. Ths Royal Opera has Roméo et Juliette, staged by Nicolas Joel and

Leontina Vaduva (Nov 12, 15, 17). A new production of La traviata opens on Nov 25 (071-304 4000) Coliseum English National Opera's current repertory consists of Ariadna auf Naxos staming Jane Eeglen, and Nicholas Hytner's staging of Die Zauberflöts. The next new production is Khovanshchina opening Nov 24 (071-835 3181) Sadler'a Wells Northern Ballet Theatre presents Christopher Gable's touring production of Cinderella, music by Philip Feeney. Daily except Sun till Nov 19

(071-278 8916)

conducted by Charles Mackerras,

with cast led by Roberto Alagna and

CONCERTS South Bank Centre Tonight, Sun: Nikolaus Harnoncourt and the Philharmonia Orchestra bring their cycle of Beethoven symphonies to conclusion. Tomorrow: Yuri Tsmirkanov conducts RPO in works

by Berlioz, Rakhmaninov and Grieg, with piano soloist Nikolai Demidenko. Tomorrow (QEH): Birmingham Contemporary Music Group presents Stockhausen'e Momente. Sat, Mon: Maurizio Pollini plays the Schumann Plano Concerto with the London Philharmonic. Sun (QEH): Chelsea Opera Group presents concert performance of Smetana's The Brandenburgers in Bohemia. Tues: Igor Olstrakh plays ths Tchalkovsky Violin Concerto with the Brno Stata Philharmonic Orchestra. Tues (QEH): Academy of St Martin in the Fleids plays baroqua music. Wed: Bulgarian State Femala Choir. Wed (QEH); Elkie Brooks. Wed (Purcell Room): Leontyne Price introduces recordings and films of

her career (071-928 8800)

#### MILAN

LA SCALA

#### Rudolfinum Tonight, tomorrow: Jiri

#### ROME Vladimir Spivakov conducts the

Teatro Regio A new production of

Monday: Berlin, New York and Tuesday: Austria, Belgium, Netherlands, Switzerland, Chi-cago, Washington. Wednesday: France, Germeny, Scandinavia. Thursday: Italy, Spain, Athens,

London, Prague. Friday: Exhibitions Guide. European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Busi-ness Today 1330; FT Business Tonight 1730, 2230

MONDAY NBC/Super Channel: FT Reports 1230.

TUESDAY Euronews: FT Reports 0745, 1315, 1545, 1815, 2345 WEDNESDAY

NBC/Super Channel; FT Reports 1230 FRIDAY NBC/Super Channel: FT

SUNDAY NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430,

Sky News: FT Reports 0230, 2030

seeing a new breed of plutopopulist. Men don the mantle of outsiders REVIEW struggling no-bly on behalf of

the little people. In tha US, there is Ross Perot. in Italy. there is Silvio Berlusconi. Now there is the Anglo-French Sir James Goldsmith, recently elected to the European parliament on an anti-Maaetricht and anti-Gatt platform. Sir James is not just a tal-

ented businessman who has accumulated a fortune. He sees himself as e philoeopher. "Global free trade, intensive agriculture and nuclesr energy" are, along with the modern welfare etate and Maastricht Europe, the main targets of his assault. This unholy trinity has "profoundly destroyed our social stability They are also "pure products of the anlightenment and as such are venerated by modero conventional wisdom", the latter synonymous, for Sir James.

The book takes the form of conversations with Yves Messarovitch, editor of the economics section of Le Figaro newspaper. Messarovitch asks hland questions. In return, Sir James pours forth a torrent of opinions. He is against the Gatt, intansive agriculture, nuclear power, the universal welfare state, the Maastricht treaty, the technocratic "nomenklatura" that runs Europe, science "separated from the ethical and the spiritual", and the enlightenment.

He is in favour of "families, communities, cultures and traditions": regional free trade among countries that "are reasonably similar in terms of development and wage structures", with "mutually beneficlal" hileteral agreements between them; a Europe of nations; a common (but not single) European currency; a social safety net; and participatory democracy.

It is tempting to dismiss all this as the vapours of a selfpublicising crank. That would be a mistake. These views matter, first, because they articulate a perfectly understandable dismay at the modern world:

THE TRAP Macmillan, £7.99, 214 pages

second, because a bit of what he says makes sense; third. because he also offers danger ous solutions thet may attract an army of adherents; and, finally, hecause he has the means to ensure his ideas will not go away

Take hie assault on free trade. Sir James argues that "the damage [Gatt] will inflict on the communities of both the developed world and the third world will be intolerable". For the former, the peril is mass unemployment as "4bn people enter the same world market for labour and offer their work at a fraction of the price paid to people in the developed world". But, he argues, "the application of Gatt will also cause a great tragedy in the third world".

Yet the main cause of unemployment in industrial countries is not trade with the devaloping ones. Such trade has merely added something there is no agreement how much - to the pressures created by technology upon a rigid labour market. It is also untrue that labour costs are decisive in determining competitiveness. Differences in labour costs reflect differences In averege productivity between countries. Nor are these differences surprising:

investment per person in Ger-

many, for example, is 25 times

as large as in China, which is why Chinese labour is cheap. Protection, even of labourintensive manufacturing, is a grotesquely inefficient means of promoting employment. What is too rarely understood · it is not by Sir James - is that a tax on imports also taxes exports. Import-competing industry would expand, but export industry would shrink. Even in import-competing industry, labour-replacing investment would continue and the tendency towards a steady decline in the jobs supplied by manufacturing would in no way abate. This depends on the growth in demand for manufactures, on the on band, and productivity increases, on the other.

cerned ahout unemployment and the distribution of the gains from growth, the best and most politically honest policy is direct, rather than indirect, assistance to the workers. The combination of greetly improved education and training, generous employment subboth the best and the right policy. It is superior to protection,

except politically. More surprising than arguments for protection in industrial countries is the view that free trade threatens the third world, too. "It is the elites who are in favour of global free trade. It is they who will be enriched," asserts Sir James. So the industrial countries can pull up the drawbridge against third world exports in the comfortable knowledge that it is, therehy, doing the poor good.

Countries all over the former third world have become more liberal and more outward-The obvious question is why. The answer is that they have tried the very policies recom-mended by Sir James, with disastrous results. The only path of development that has worked has been specialisation on the basis of comparative advantage, particularly when that advantage is in lahourintensive manufactures.

The industrial world has not. as Sir James insists, imposed its model on a reluctant third world full of happy peasants. Nothing stops a country from closing itself off: China tried; Burma is still trying. The rea-son these attempts have failed is that the vast majority of men and women want the prosperity the west offers. In fact, they want a tiny fraction of what Sir James already has.

Sir James alleges westeroers believe "any community which resists the absorption or destruction of its culture hy the west is a threat to peace' I, for one, do not. What is indeed a threat to peace is the view that the industrial countries are entitled to deprive hlllions of people around the world of the mutually beneficial trade that is their best

#### urope's airline barons are putting up a fight. The loss making flag \_\_\_ carriers, and the states that own them, are proving as determined to protect themselves from market forces as the European Commission is to unravel the closed and subsidised airline industry.

The result is a game of ploy end counterploy, as govern-ments try to delay the introduction of competition and extend the life and amount of state eubsidies, ahead of the complete opening of European skies in 1997

The Commission launched its three-stage liheralisation policy in 1986, forcing European governments to abandon the heavy regulation that had protected their carriers from competition, but kept many air fares artificially high.

When deregulation is completed in three years time, all EU airlines will be able to fly wherever they choose within the single European market, and operate internal services in other EU countries. The Commission is also proposing to break up the ground handling monopolies at many European airports.

For the Commission, the challenge has been to resist pressure from governments to approve large subsidies for ailing national carriers to help them cope with liberalisation. The Commission agreed this year that financially troubled flag carriers should be allowed one last injection of state funds only where it was tied to a meaningful restructuring programme.

But Brussels since appears to have capitulated to the big state carriers and their government owners. In July alone, the Commission approved state aid totalling \$7.1bn to three airlines including Air France, TAP of Portugal and Olympic Airways of Greece, These aids were equivalent to 45 per cent of the total losses of \$15.6bn that western airlines have accumulated on their international scheduled services in the past four years.

Seven airlines - British Airways, KLM, SAS, Air UK. Maersk, TAT and British Midland - and the British government are now contesting the Commission's approval of a FFr20bn state aid package for Air France. The subsidy is 'grotesque", says Sir Michael Bisbop, the British Midland chairman. "It is almost equal to the entire losses made by world airlines last year".

But subsidies are not the Martin Wolf only source of friction. There has been a bush war in France

## Struggle at the airport gates

Paul Betts on the row over state aid for airlines ahead of the complete opening of Europe's skies in 1997

over the opening to competition of Orly airport, south of

The French transport minis try, last month, limited the total number of take-offs and landings from the airport, which is a stronghold of Air France and its domestic partner airline, Air inter, to the current level of 200,000 flights a year, on environmental suspected the motive was to prevent any rapid expansion of competition at Orly.

The European Court of Jutice recently ordered the French government to allow other airlines immediate tic routes to Toulouse and Marseilles that have long been the monopoly of Air Inter. The transport ministry responded hy announcing that competing services could only start in January

in June, the French government was forced to grant rights to British Airways and its French affiliate, TAT, to start flying between Orly and London. This dispute almost hlew up into an all-out confrontation with the British goveroment and the European Commission. And even after reluctantly agreeing to the Orly flights to London, the French government imposed a cap of four daily services on the route.

Undeterred by these setbacks, the government this month frustrated KLM's plans to start services between Amsterdam and Orly by refusing to grant the Dutch carrier landing rights, prompting KLM to ask the European Commission to intervene,

The French transport ministry says its aim is to achieve fair and healthy competition, but concedes that competition on these routes would cut Air Inter's market share and aggravate losses at the

month, Air Inter warned of expected losses of about FFr100m this year. Its partner, Air France, is engaged in a restructuring plan to cut losses of FFr8.5hn last year and air transport There has been a rush of alli-

return the group to profit by

The problem is not technical, hut political, in the sense that every French minister of transport has for so long considered himself the minister of Air France," said Mr Lofti Belhassine, president of the small French independent carrier Air Liberté. "The French government has no right to impose additional hardship on its citizens by avoiding competition, which is here to stay. There is still a feudal system in France, but the writing is now on the

wall" The stakes are high not just for Air France and other stateowned carriers, but also for the European Commission and Its efforts to liberalise European

and partnerships ances between large and small carriers in Europe to strengthen their hand in a deregulated market. But many governments are proving reluctant to give up sovereignty over their airspace while they are funding inefficient national carriers, which are important sources of employment and

political patronage.

In addition, government subsidies to European national carriers are running at \$10m a day, according to Mr Herman De Croo, chairman of the European Commission's independent committee of "wise men". Set up last year, the committee's brief is to draw up recommendations on the future of the European airline industry. "The tragedy of it all is that

ing, air transport is on the upswing, and most big strlines are finally making money, a hard core of state-owned majors appear unable to take any medicine at all," notes Mr

De Croo. The danger is that a twoclass airline industry will emerge in Europe. "The first involves airlines which have had to solve their problems on their own the second includes airlines which continue to defy the laws of economics and have enjoyed a bumper year for subsidies," says Mr Robert Ayling, managing director of British Airways. For the BA executive, state aid is a test that the Commission has so far dramatically failed and done lasting damage to its reputa-

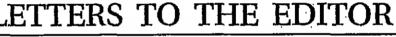
Cranfield University study on airline efficiency confirms that privately or partially privately owned carriers are performing best in Europe while state-owned carriers are at the bottom of the league. In his legal challenge against the Air France subsidy, Mr Brian Mawhinney, the UK transport secretary, emphasised that government handouts removed the incentive for state-owned airlines to become efficient and adopt a sound commercial

Even if the European Court action does not succeed in overturning the Commission's approval of the Air France subskly, it has unsettled the regulators. "If nothing else, this legal challenge is likely to stiffen the Commission's spine and toughen its attitude over future applications for state aid," one Brussels official said. The consumer is also emergmg as a force for change in European air travel. "We used to think that liberalisation would create the environment to change," said one airline executive . "We now believe the customer will. The cns-

tomer has less loyalty to flag-

carriers than governments

And despite the last ditch resistance from the barons, the industry does seem, finally, to be getting the message. As Mr Pierre Jeanniot, the director general of the International Air Transport Association (IATA), told last week's annual meeting of the 222 member airline trade organisation: "The need for profitability is paramount, Without it air transport will either die, as did maritime passenger transport, or become a political football in a game of subsidies, as with the rail-



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#### Whole new meaning in Peter Pan

From Mr H L Benjamin. Sir, Reading the arts and entertainment pages of the FT these days is to enter a whole new world.

As a child, I was taken regu-larly around Christmas time to see the play of Peter Pan, which was a wonderful afternoon of escapism for us all.

Of how much more it had to offer I have only now been made aware. The hook of the pirate captain was a pballic symbol, says Jackie Wullschla ger (Arts: "The truth behind Wonderland", October 31). No mention is made of the Red Indians, but they each had a tomahawk, did they not? Later, I was taken to see Treasure Island, which I equally enjoyed, completely missing, I suppose, the significance of Long John Silver's wooden leg. Once one catches on to the

idea, one's horizons are limitless. Contemplate the skyline of any modern city; the mind boggles at Canary Wharf! H L Benjamin, 22 Shrewsbury House, Cheyne Walk, London SW3

Better than good works

From Dr Ilse Kracke.
Sir, James Morgan got it all wrong in his article about presidents and cardinals ("All the president's cardinals", November 5). It was precisely Martin Luther who emphasised the importance of belief, not works. He had observed how "good works" were done hy many people just to earn them-selves a little throne in heaven, not in order to help others, and he detested the then fashion to pay others to do the "good" works for you in order to achieve that aim. All that really mattered was believing in Christ'e word - all the rest

To start from the wrong historical premises would make one have grave donhts about the conclusione in the article...Oh, Financial Times, stick to your finances! Ilse Kracke, 48 Druid Woods.

would follow.

## Quest for monetary credibility

From Mr Daniel P McLaughlin. | tations wrought by the regime | now from what It was on September 12 (the date of opears to have greater weight in the setting of interest rates, a change designed to enhance the "credibility" of monetary policy in the UK ("Bank reports improved outlook on inflation", November 2). The search for "credibility" also extends to the idea of a "pre-emptive" rate rise, designed to tighten policy at an early stage

in the inflation cycle. Ultimately, the success of the new policy regime will be judged by the path of inflation over the next few years, but one can also form an immediate impression by examining any change to inflation expecFortunately, a good proxy

for expectations of future UK inflation is at hand, in the yield difference between nominal bond yields and the real yield as paid on index-linked

Unfortunately, the evidence to date suggests the market has yet to be convinced that inflation is well and truly under control. The inflation rate implied by the current yield spread between index-linked and nominal bond yields is some 4.65 per cent, against 3.50 per cent in January. Moreover, this implied expectation is no different

the first "pre-emptive" tighten ing).

Perhaps most worrisome of all for the Bank of England is that the level of inflation expectations is virtually twice that of its own forecast of 2.5 per cent. Presumably, true "credibility" will have been achieved when the two forecasts coincide, ideally with the market expectation falling to meet that of the Bank. Daniel P McLaughlin, head of fixed interest, Riada Stockbrokers, 1 College Green, Dublin 2,

#### Mixed message of share option trends

From Mr Brian Friedman.
Sir, Alistair Ross-Goobey
(Book Review: "Why pay should be linked to success" November 3) writes that there is no place for conventional share options in executive reward.

The truth of Mr Ross-Goohey's comment is widely recognised among larger com-panies and an increasing num-ber of them sre abandoning conventional share options in favour of restricted share plans for their most senior execu-

Many, however, are retaining share options for second tier management and some are using both share options and restricted share plans

There is a mixed message here. If share options are no longer appropriate for senior executives, why are companies retaining them for lower levels of management?

For the future, I believe more companies will pueh down the restricted share concept to lower levels of management. Indeed, pioneering companies are already looking at phantom restricted stock plans and even phantom management buy-outs at the husiness unit level. (A phantom plan is one where the cash reward is designed to replicate the actual

ebare price.) ft is almost a truism to say that the only thing that really

motivates is ownership - the . challenge is to create a struc- 6 ture which encourages managers to act like owners while not leading to internal divisions within husiness organisations. At present, there is often too

much fog between the efforts employeas put in and the rewards that are generated under their equity-based incentive plans.
Winning companies will find

successful formulae to dispel the fog and to encourage clarity of vision. Brian Friedman

head of compensation and benefits,

Arthur Andersen & Co.,

#### Fully informed decision

From Mr Tony Young. Sir, An otherwise excellent article on employee relations in BT (Management: "Bad con-nections at BT", November 7) was marred hy suggestions that "the dispute over flexible working was resolved in a pri-vate chat between [Michael] Hepher [BT's managing director) and Tony Young, leader of

If I, as general secretary, "resolved" the issue with a pri-vata chat, what on earth was the executive council doing at its meetings on September 15 and September 20 (the latter continuing until three o'clock in the morning)?

the NCU".

It was debating the resolu-

tion of a major industrial issue, which would otherwise have led to massive disruption of BT's operation. My joh was to ensure that the executive was eble to come to a fully

informed decision. Further, it was abla to do this in the most democratic way, and in the most open of forums. This is how trade unions come to decisions; not

Tony Young. general secretary, National Communications Union, Greystoke House,

150 Brunswick Road, Ealing,

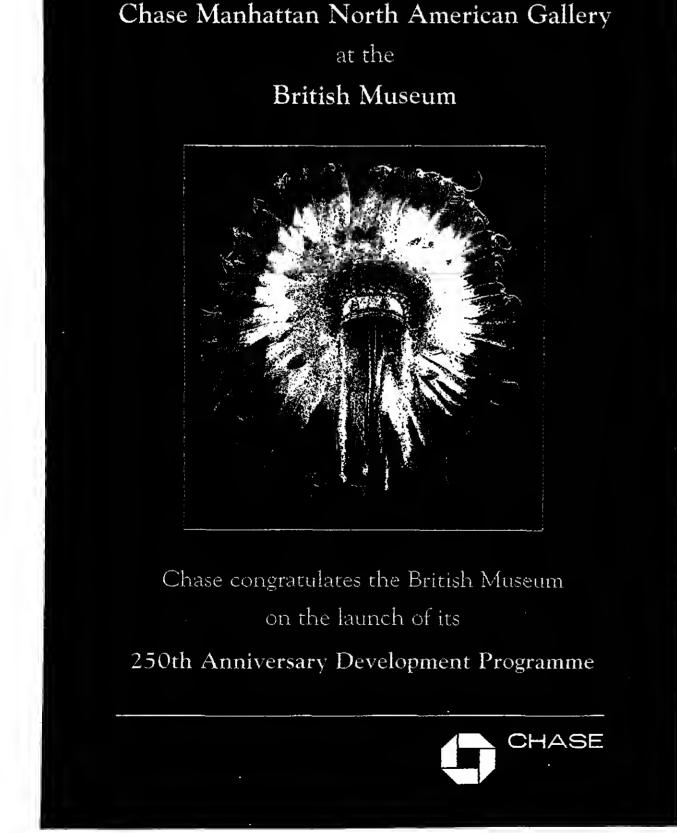
#### In other words From Mr David Edwards

Sir, Jim Kelly reports ("Electronic tax return spells end for dreaded form", November 7) Mr John Whiting as saying: "We do need to incentivise our system.

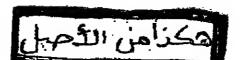
This, I understand, will hugeify the beneficiations to be obtained by the electronicisation of our tax returns.

The cost of modifying the English language to accommodate these developments has to be allowed for. Perhaps Dr Marshall of The Oxford Dictionary Group may care to com-David Edwards,

The Drive, Woking, Surrey GU22 0JS

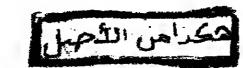


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Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Thursday November 10 1994

## The new US prospect

Voting against government is one thing: making it work better is another. The Republican party won its landslide in Tuesday's Congressional elections by campaigning against President Clinton, and against a Democrat-controlled Congress. The fear must be that the new rulers of Congress will bring the same negativism to the joh of government.
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campaign, American voters were convinced that they needed a new Congress, and - to a greater extent than many on either side predicted - that is precisely what they got. Republicans will have control over both Houses of the 104th Congress, for the first time in over 40 years.

For many, the results of the election are a recipe for two years of unrelenting legislative gridlock. The Republicans have only won thin majorities in the House and Senate. The Senate filihuster, a weapon the Republicans have recently used so effectively against Mr Clinton, might well return to haunt them. And Mr Clinton, for his part, might decide to follow a Truman strategy of frustrating his opponents with lib-eral use of the presidential

It was certainly difficult to see the seeds of congressional and presidential bipartisanship in the campaign. But the very size of the Republican victory provides grounds for optimism. With control in their hands, party leaders such as Senator Bob Dole risk finding it is their turn to suffer from electors' frustrations.

Mr Dole, at teast, claims to want to use his new position as Senate majority leader to forge htpartisan coalitions rather than frustrate them. He has sometimes done this in the past, but his own presidential ambitions - and his more stridently partisan colleagues - may prevent him from translating this noble aim into practice.

Important casualties

For the rest of the world, the most important casualties of a failure to achieve bipartisan coali-tions will be US trade and budgetary policy. Mr Dole faces a test on the first on November 29, when the "lame-duck" 103rd Congress will finally vote on the ratification of the treaty agreed in the Uruguay round of the GATT.

Mr Clinton will doubtless use his upcoming trade talks in Asia and Latin America to reassure America's trading partners that the country's commitment to free trade has not been dented hy recent events. But it is up to Mr Dole to ensure that the treaty gets the required number of Republican votes. Since the "fast-track procedure" for voting on the agreement applies only to the cur-rent Congress, a failed vote could stgnify the death of the treaty altogether. Moreover, it would be the ultimate signal that the US is set to turn inward in the coming

Republicans co-operated with Mr Clinton to get the NAFTA treaty passed in 1993. For all the "America first-ism" of many a recent Republican campaign, there must be at least even odds that they will do so with regard to GATT. The odds on a serious attempt to reduce the budget deficit over the next two years must be considerably slimmer.

Fiscal proposals

The Republicans' election manifesto in this area, the "Contract with America" published in September, does not bode well. Like many of the party's past fiscal pro-posals, it is highly specific on pop-ular policies like middle-class tax cuts and a balanced hudget amendment, hut vague to the point of near-silence on how the one is to be combined with the other. President Clinton shares the

ambition for a middle class tax cut. But be too has shied away from the specifying the cuts in entitlement programmes like Medicare and Medicaid which would be necessary to pay for such a tax cut.

The Kerrey Commission on entitlement reform, which will report in December, will probably point to the drastic reforms necessary, to reduce the long-term budget deficit, regardless of any further fall in the tax burden. A Congress which was not born of a campaign as steeped in political opportunism as this one might, just might, have used the commission's proposals as a basis for constructive legislation. It is up to the Republicans to decide whether the new Congress can transcend the negativism from which It

## Planning for higher prices

Few things better illustrate the benefits of competition than the recent price war in British retailing. The consumer has enjoyed value for money to a far greater extent than in the consumptionled recovery of the 1980s. Retailers who have kept prices under control have been rewarded with higher volumes and sales values. The wider benefit has come from the powerful restraining influence on prices generally. What is the risk that this virtuous circle may

Producer price inflation is an obvious potential villain of the piece. Yet the fear here may well be exaggerated. The message from Marks and Spencer, which reported interim profits earlier this week, was that its ability to pass on producer price rises is minimal. Other leading retailers have told much the same story. If they are right, producers who face rising prices for raw materials and imported manufactures may simply confront the same choice as the retailers. Either they raise prices and risk an immediate toss of market share; or they join in the competition and hope that increased volume will offset their lower margins.

A more plausihta ground for concern lies in the peculiarities of the present disinflationary process. The unexpected price sensitivity of consumers is partly a reflection of recession; also of the stretched state of the personal sector balance sheet after the borrowing binge of the 1980s. Time and the precantionary urge to pay down debt from increased earn-ings could ultimately lead to a more insouciant consumer attitude towards prices. Yet the most powerful longer-run force threatening the current price discipline probably lies in planning policy.

Price restraint

The present retail price war is to a considerable degree a reflection of oversupply in retail property. This stemmed from a relaxation in the approach to planning consents in the 1980s, particularly in relation to out-of town shopping centres. Confronted with an unexpectedly liberal environment big retailers were tempted simultaneously to expand. The result was overdevelopment. An excessive number of new outlets contributed

significantly to the high degree of price restraint that has marked the economic recovery.

Under Environment Secretary John Gummer this period of liberalisation is drawing to a ctose. Last week he declared that the balance must be tilted away from out-of-town shopping centres back to tha town centre. Henceforth the emphasis in planning will be on the revitalisation of town centres, the building of communities and reduced dependence on the motor car. Shopping malls on by-passes are out of favour.

Local monopoly

Few would quarret with Mr Gummer's aspiration to enhance the quality of life. But whether his policies will achieve the desired goal is a moot point. The first impact of more restrictive plan-ning will be to reinforce the local monopoly of those out of town retailers who have not yet been subjected to additional competition. It will strengthen the hand of smaller retailers in town who have weak buying power, faw economies of scale, high fixed costs and thus a poor capacity to offer discount prices. More generally ally, a restrictive planning policy will tend to favour the inefficient retailer relative to those better able to deal with competition.

Meantime the new emphasis on town centre redevelopment raises longstanding questions about congestion and the ability to provide adequate car parking space. While Mr Gummer insists that "peopte want a sensible balance in the siting of shopping centres", the experience of retailers seems to be that people like using their cars.

Either way, if this shift in policy does prove to be more restrictive overall, those retailers and property developers now suffering from the consequences of overdev-elopment will be cheering in the aisles. Just as George Brown made fortunes for countless property developers with his 1964 ban on office building in London, so Mr Gummer will have provided large windfall gains to those whose planning consents came through both in time and in the right

We are back to the 1960s - or is it the garden-city-minded 1940s? Rither way, the consumer will not be a beneficiary.

elieve it or not - and after Tuesday's Massaere of the Democrats, it requires some stretching of the Imagination there are serious people arguing that Bill Clinton is potentially in better shape today than since be became president. More remarkably, some of these people are Republicans, whose joy at their victories in the mid-term elections

should be unalloyed. They draw on the lesson of 1948, when President Harry Truman, saddled with a Republican landslide two years earlier, won re-election campaigning against the "do-nothing Congress".

The contemporary analogy was provided by a senior member of the Reagan administration on polling night: "If the Republicans were to lead the majorities (in Congress) the way they've led the minorities, they would be in trouble. They'd give Clinton a target to run against in 1996 - and though he might not be a skilled chief executive, he sure is a skilled politician. And it is not as if they speak with one voice."

On Tuesday night, even Newt Gingrich, the slash-and-burn conservative Republican from Georgia who stands to be the next Speaker of the House, sounded for the first time a little awed by what lay ahead, promising co-operation rather than confrontation with the White House. He went so far as to speak relativaly kindly of his fellow Republican Robert Dole, majority leader in the next Senate who is only occasionally an ideological

The Republican sweep was impressive, with control of the House for the first time in 40 years. of the Senate for the first time in eight, and with at least eight Democratic governors evicted.

Oliver North and Michael Huffington, poster boys of the alienated hard right, lost in Virginia and California and Ted Kennedy won in Massachusetts, But otherwise the cull of famous Democrats was large: Mario Cuomo in New York and Ann Richards in Texas among the governors; Jim Sasser, who might have been the next party leader in the Senate, in Tennessee; Congressmen Dan Rostenkowski in Chicago and Jack Brooks in Texas, past and present chairmen of the ways and means and judiciary committees with 78 years in the House between

The biggest scalp of all - of Speaker Tom Foley in the state of Washington - was half-hanging from the belt of a Republican novice, awaiting only the counting of absentee ballets.

Almost all the voter tunes were sung from the Republican bymnbook. The promise of less government and lower taxes helped George Pataki beat Mario Cuomo. Referenda on tax-cutting and limiting the terms of elected officials were passed almost everywhere they were on the ballot. Most Democrats were out-toughed

on the crima issue, with Governor Lawton Chiles's survival in Florida over Mr Jeb Bush a rare exception and Mr Cuomo's defeat the classic proof. Conservative hostility to illegal immigration was endorsed comfortably in California. The rightwing Christian lobby failed to return Oliver North, but did well elsewhere. The gun lohby was instrumental in knocking off Mr Brooks in Texas, accusing him of apostasy on gun control. A constant national strain, most

virulent in the south and its borders, was distrust and a dislike akin to hatred of Mr Clinton himself. Democrats lost in all the states to which the president had devoted his energies in the last week of campaigning - Minnesota, Delaware, Michigan, Pennsylvania and Ohio. Mr Gingrich, it appears, made the right strategic decision in turning the mid-term elections into a plebiscite on the presidency.

But the US still must be governed in the next two years and this is where Republican elation is tempered among its more thoughtful members. The party's "contract with America", effectively its elec-tion manifesto, lays out a plan and a 100-day timetable for introducing

President Clinton may find a crumb of comfort in his party's heavy defeat in the US mid-term elections, says Jurek Martin

## Desperately seeking solace

legislation, but its passage in anything approximating the proposed form may be doubted.

One reason for doubt is resistance to It by moderate Republicans in the Senate (Mr Dole, for one, is still sitting on the sence over term limits). Another is that Mr Clinton possesses a veto and the Democrats enough numbers, if they stick together, to block legislation in the Senate by fillihusters, much as the Republicans did in the last session.

Not all will be legislative gridlock revisited. The Republican party's contract demands that the president be given a "line item" budget veto. empowering him to strike out an offending item of spending without throwing out a whole hill. Mr Clinton has no problem with this, since be advocated it in 1992. Nor will he resist the middle class

tax cut demanded by Republicans.
This is already in the White House planning stages, though funding it without increasing the federal deficit is another matter.

Welfare reform is a subject on which both parties agree in principle, differing only in detail. Modest healthcare reform initiatives cannot be excluded.

But battles royal can be expected on many other fields - on the proed amendment to the constitution requiring a balanced budget for example, and on Republican desires to beef up defence spending. The thorniest problem will be the cutting of federal "entitlement" programmes such as social security and medicare, where the Republican contract promised "gain without pain".

The conduct of foreign policy, and its economic and trade components will not be any easier, especially if Senator Jesse Helms of North Carolina, the ultimate arch-conservative, exercises his option to chair the for-eign relations committee (he has the choice of agriculture). The new "America First" Republican majority in the House features few conventional internationalists and sentiment against US military excursions overseas or involvement in Bosnia, Rwanda and other distant hotspots has increased on the right, complementing its presence on the left.

Just as serious is the weakening of the old Republican free trade constituency that helped pass the North American Free Trade Agreement last year. If the lame-duck Congress does not approve the legislation to implement the Gatt Uruguay Round in three weeks - and tt will do so only if enough retiring members vote with their consciences and defy an electorate to which they are no longer subject its prospects in 1995 look bleak. Other trade initiatives in Asla and South America, both with summits in the next five weeks, could be still-born unless what are perceived as American interests are aggres-

sively protected. Even if the political will to cooperate proves stronger than expected, mutual animus is certain to increase because the Republicans will use their majorities to make a meal out of Whitewater. The tangled skein of the first family's investments long ago in Arkansas has been off the political screen for the last few months while the special counsel, Mr Ken Starr, goes about his work. But the hiatus will

not last. Mr Gingrich has already promised a wholesale investigation of "White House corruption". But even his



Seats: 100 Republicans 53 seats

House of Representatives

Seets: 50 Governors'

Figures include some unofficial return

turn his chairmanship of the banking committee into a standing inquisition not only into Whitewater hut also into the president's private life and the suicide in the summer of 1993 of Vince Foster, the close Clinton friend and deputy

The US still has to be governed in the next two years, and this is where thoughtful Republicans' elation is tempered

White House legal counsel. Having helped dispose of Mr Cuomo, the senator's notorious appetite for blood has been whetted. He is likely to find an ally in Con-gressman Jim Leach of lowa, another leading Whitewater critic. who stands to inherit the House hanking committee from Henry

zeal is likely to pale in comparison Gonzalez, the president's staunchest with that of Senator Al D'Amato protector. Both panels, it must be assumed, will leak like ejeves and arrange for televised hearings with maximum exposure. Further complicating the immedi-

ate future is the polarisation of both parties, if anything more acute among Republicans than Democrats. The House may prove mono-lithic under Mr Gingrich, but there is an influential fistful of Senate moderates - including Bill Cohen of Maine, Nancy Kassebaum of Kansas, Bob Packwood and Mark Hatfield of Oregon, John Chafee of Rhode Island and James Jeffords of Vermont - with committee seniority and a preference for pragmatic over conviction politics.

It also matters that the country is ahont to enter another etection cycle - for the presidency in 1996. Unless there is some awful Whitewater development that sinks public confidence in him irrevocably, Mr Clinton still looks the likely Democratic candidate. If not him, it will be Vice-President Al Gore, bruised though he was on Tuesday hy the Republican sweep in his native Tennessee. A challenge cannot be ruled out, either from the left or from the grumpy middle represented in 1992 by Paul Tsongas. But at present it appears unlikely to

The Republicans, however, are no closer to finding candidates for 1996 than they were before the mid-term elections. All the leading suspects are still around, but Senator Dole will be pre-occupied with congres-sional management and Mr Ging-rich has no known presidential ambitions. Senator Phil Gramm of Texas did his cause good by campaigning mightly for Republican candidates and has assembled a substantial war-chest, but his manner turns as many people off as on.

Lamar Alexander, former cabinet member and governor of Tennessee, has been diligently cultivating the grassroots, as have Dick Cheney, ex-secretary of defence, and James Baker, ex-secretary of everything. The bids, more likely for the vice-presidential slot, from three governors returned on Tuesday - Pete Wllson tn California, Tommy Thompson in Wisconsin and William Weld in Massachusetts - have gained in value, while the stock of Christie Whitman of New Jersay

remains high.

However, the ideological differences between the above personali-"big tent" that the party professes to represent. And some proto-candidates may find it easier to get elected to the White House than win the Republican nomination. One who surely cannot win the nomination hecause of rightwing opposition hut has already put wn a marker for the moderates hy declaring is Senator Arten Specter of Pennsylvania.

ties divided or listless and distrusted, an independent candidacy in 1996 can boast that his andorsements, generally of Republicans, worked (though not at home in Texas with the defeat of Ann Richards).

Mayor Rudolph Giuliani of New York, a nominal Republican who endorsed Mr Cuomo, would have looked better as an independent prospect in 1996 if the governor had won. Now he may be forced into his destiny by taking on his long term foe Senator D'Amato in the 1998 Senate race. The political right remains the more fertile ground for independents and libertarians and, as in 1992, that is also not necessarily bad news for Mr Clinton because it will divide the Republican vote.

However, the president cannot afford to to sit back and wait. To sacrifice the initiative to the Republican Congress over the next two years would be good for neither his government nor his own political future. He could choose to go vetocrazy, but George Busb's exercise of that power did him no good at all.

Thus the White House watchwords of the moment are of "repositioning" or "relaunching" the presidency. With the economy still in reasonable shape and with foreign policy suddenly fruitful (Haiti, North Korea, the Middle East, Rus sia, if not Bosnia), Mr Clinton is not without fertile prospects. No less than five foreign trips are on his schedule for next year. If the country. In its isolationist mode, ignores external policy it is a fair bet that Mr Clinton will return to some of the domestic themes that propelled him into office in 1992 - emphasis on personal and community responsibility, tolerance in race relations,

But sooner or later, and all of yesterday's protestations of co-operation notwithstanding, Mr Clinton will surely round on the Republicans running Congress and their record in exercising the power to which they have long been unaccus-tomed. And that is why some serious Republicans are worried by Tuesday's results.

For the overriding lesson of the congressional mid-term elections, as it was to a degree in 1992, is that it is far easier to run against somebody or something than for both. Ask the ghost of Harry Truman.

## **OBSERVER**

#### Gergantuan problem

For Bill Clinton it never rains but it pours. Now he's been deserted hy David Gergen, the shrewd 52 year-old spin-doctor who helped presidents Nixon, Reagan and Bush in many a jam.

Gergen is off to teach at Duke University, where his father was once head of the mathematics department. Clinton brought Gergen, former editor of magazine US News and World Report, into the White House in May 1993 to stop the administration drowning in a tide of disasters. Gergen scored: Clinton's approval rating jumped from 37 to 60 per cent in February this year.

But some prophetic words were printed in February this year by The Economist magazine: "Watch the Gergenometer. When it reads 'jump ship', it should be a good indication of when one consummate insider reckons this presidency has peaked

At Duke, Gergen will be teaching a course in "governing in today's America". He should sign up the Clintons, pronto.

Outposted

■ The remarkable economic progress of Humberside, in the north of England, will be further confirmed today by the final

granting of planning permission and funding for a £520m gas-fired power station at Grimshy. And last year the Humber estuary shifted more than 60m townes of cargo, knocking the Thames off its pedestal as the UK's higgest seaborne trading zone, and putting the Channet tunnel's projected 8m tonnes a year into perspective.

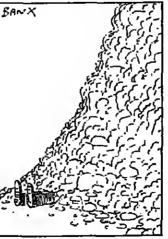
So why choose London for the presentation, which is intended to promote husiness opportunities associated with a new offshore terminal? Humberside county council says about 100 people wilt turn up for today's beano at the Selfridges Hotel, and that far fewer would bother to travel north. Some confusion bere, surely.

Those who would travel north - it's hardly a time-zone change - would thus be establishing themselves as genuinely interested in the area. But how many at Selfridges will simply be taking a swift free lunch?

Energetic payer

■ It must say something about Turkey - but what? - that the country's largest individual taxpayer should be Mutild Manukyan, doyenne of Istanbul's madams. Last year she was busy enough to justify a \$722,751 tax hill.

She went along to an Istanbul chamber of commerce prize-giving ceremony for top taxpayers. But instead of receiving her gold plaque from the hands of president Suleyman Demirel himself, she was



fobbed off with the chamber's vice-president.

Clinton landslide

Did she feel offended? Maybe. But she must be getting used to this kind of treatment - it's the third successive year she has walked off with the prize.

#### Soccer heroes

■ Whatever the outcome of the latest allegations about sleaze in British football, one has to look

overseas to find the juiciest scams. in 1983 Hungary uncovered a match-fixing conspiracy, resulting in 260 players and 14 referees being suspended and 75 people coovicted of criminal offences. Even that

doesn't quite match the Yugoslav teams involved in a crucial 1979 end-of-season match: the score was 134-1 (a goal every 40 seconds), which would have been an all-time record - but for the fact that a deal had been struck before kick-off.

#### Gegarbaged

■ The French may be building barricades to preserve their language from Anglo-Saxon barbarisms - but what about the Germans?

The language of Goethe, Schiller and Boris Becker is in danger of being eroded by influences from beyond Europe's mainland. Gefounded and gementioned – as in "our company was gefounded" (founded) or "will we be gementioned?" (mentioned) - are two newcomers assaulting sensitive German ears.

Gemanaged is an old one, as are gehandikapt and gekidnappt. Any suggestions for others? Gebreakfasted, getroubled and gesacked immediately spring to

#### Muddy machismo

 Questioning an Argentine's credential as a political prisoner during the "dirty war" is asking for trouble - particularly if he happens to be the president.

Carlos Menem has filed a bbel action against one of the country's

sparkiest daily newspapers, the leftist Pagina 12, after its editors cast doubt on his claim to have been tortured under the former military dictatorship. On October 30 the paper quoted former prisoners as saying that Menem - who was arrested after a 1976 military coup ousted president Isabel Peron – was never tortured and that he had cried upon being arrested.

Pagina 12 seems undaunted. "What we have here is somebody who is sick in the head. Before we poked fun at him, but now the jokes are becoming monotonous," is the printed riposte by columnist Osvaldo Soriano.

Few prominent libel cases ever seem to reach court in Buenos Aires. But given that Menem hopes to be re-elected in 1995, maybe this one might.

#### in the pink

■ Another satisfied reader. Last week a rival newspaper reported that Luca Cumani, the Newmarket trainer, used shredded copies of The Times as bedding for his racehorses.

Bnt, he said, if a horse wins a big race, he switches its bedding to the Financial Times - so the winner can read where to put its money. Following the success of Barathea in last Saturday's Breeders' Cup in Kentucky, the bay, whose jockey was clad in pink, is now reported to be enjoying the Pink'un in retirement in Ireland.



Early decision on his successor is unlikely

## Caretaker world trade role seen for Sutherland

Mr Peter Sutherland, the director-general of the General Agreement on Tariffs and Trade, is believed to be ready to stay on in a caretaker role as head of the future World Trade Organisation if the contest for his successor remains deadlocked.

Mr Sutherland, whose official term ends in July next year, has stated he will not be a candidate for director-general of the WTO, which is expected to begin work

It now appears unlikely that a decision on his successor will be made by early next month, when Gatt members are due to endorse the appointment. This will make it virtually impossible for the new head to start in January.

Although no formal proposal to stay on has yet been made to Mr Sutherland, it is being discussed

by trade diplomats anxious to

Gatt to the more powerful WTO. However, some officials hope the decision on the choice of WTO chief can still be made by next

A third round of consultations among Gatt members on the appointment will be held in Geneva this week.

Trade officials said yesterday they expected the outcome to be a continued three-way split on regional lines between Mr Renato Ruggiero, the EU candidate, Mr Carlos Salinas de Gortari, the outgoing Mexican president who has US and Latin American backing, and Mr Kim Chul-su of South Korea who has Asian sup-

Although Mr Ruggiero is ahead numerically, the eventual decision must be made by consensus. Delays in ratifying the WTO and the associated Uruguay Round of global trade accords, the continued stalemate over the next OECD secretary-general and the

lack of engagement of the US in the WTO race are all seen as

To these must now be added uncertainty over the outcome of the Uruguay Round vote by the US Congress in three weeks' time. A rejection by Congress would certainly kill the WTO, which could not operate effectively without the participation of the world'a biggest trader. Of Gatt's 124 members, only about 30 countries have so far ratified the world trada pact, and they do not include any of the Quad group of leading traders -the US, the EU, Japan and Canada. Most have been awaiting the

The mid-term elections and the ding Uruguay Round vote have also kept the US out of the activa horsetrading that will be a part of an eventual deal.

Congress and Gatt, Page 4 Gatt chief ready, Page 8

## Japanese banks condemn rival over savers' lottery

By Gerard Baker in Tokyo

Japan's banking fraternity was divided yesterday when a credit banks' association condemned one of its more ambitious members for launching a lottery to

attract new savers.
On Monday, Johnan Shinkin (Credit) Bank offered a savings account that made depositors eligible for a twice-yearly raffle. In addition to the normal interest rate on the one-year deposit, savers were offered the incentive of cash prizes of up to Y50,000

The scheme was a hit with investors. On the first day, the bank collected Y10bn in deposits. And within hours the bank's anxious rivals had cried foul, accusing Johnan of stealing an unfair march on the rest of the sector.

The banks' objection is that the new account breaches a self-imposed rule that institutions will offer only gifts and not cash bonuses as incentives, and that gifts should not exceed Y1,500 in Yesterday the banks' grievance was dignified by Mr Keikichi Kato, chairman of the National Association of Shinkin Banks. who issued an unprecedented censure of Johnan's action.

He said it was "regrettable

Johnan was neglecting the asso-ciation's voluntary rules". It is very unusual for a financial institution in Japan to break ranks so unapologetically with its competitors, and Johnan's move may herald a more independent approach by the main

Observers were sceptical of the the banks' stated concerns. A more serious objection seems to be that Johnan has found a novel way to offer a higher inter-

est rate to depositors. The bank calculates that the average customer has a 3.38 per cent chance of winning a prize, and that the overall effect of the scheme is to offer an extra 0.2 per cent interest to savers.

Last month, the last regula-tions on interest rates were finally lifted by the finance ministry, leaving banks free to set their own rates for deposit-

But since the changes, most banks have continued to offer remarkably similar rates, and consumer groups have expressed doubt about the strength of their commitment to open compet-

A finance ministry official said that, since the banks' rule is voluntary, the ministry was not in a position to act. But he added: "It questionable whether it is appropriate for public-spirited financial institutions to set up lotteries in an attempt to gain

Johnan was urrepentant yesterday. A spokesman said the voluntary restraint was against the spirit of financial deregulation. since it represented "a form of collusion" among the country's banks to deprive customers of the benefits of freer markets.

He dismissed the row as simply "labour pains" at the birth of a new era in the country's financial system.

## German TV | US stocks fall after gains

Continued from Page 1

Europe's multi-media industry, arguing that it was possible for cross-border deals to take place without individual markets being

closed off. \*Television without frontiers can only be accomplished if programme suppliers from other member states are not faced with prohibitive entry barriers national markets."

**Europe today** 

Five-day forecast

Most of western Europe will remain unsettled with the heaviest rain expected

will be wintry. It will stay below freezing

north of the line from Moscow to Oslo with strong frost north of Kiruna. It will be settled from the northern Balkans to northern Germany with persistent morn fog and a few afternoon breaks in the cloud. The eastern Mediterranean will be mainly dry with temperatures rising to 18C-22C. Areas around the Black Sea may have thunder showers.

The rain over Italy will move east to affect most of the Balkans and Turkey. High pressure settling over the Baltics this weekend will induce sunshine and below seasonal temperatures which will spread trom Russia to central and northe Europe. Low pressure arriving from the Atlantic will bring back rain to western

in Scotland, southern France and northern Italy. North-west France and Ireland will have seasonal temperatures and some clearing. Northern and north-east Europe

most of their gains. London's FT-SE 100 index closed up 35.8 at 3,099.6, while in Frankfurt the Dax index rose 43.03 to 2,096.47. Wall Street was concerned that discord between the White House and Congress might lead to legis-lative gridlock, and that a hard-line Republican leadership could block progress on international

Mr Richard McCahe chief mar-

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FT WEATHER GUIDE

good for the market, or whether it leads to more deadlock." Mr Hoey said positive effects from the elections would soon fade. "The stock market is left with all the same issues it had before, in terms of the outlook

ket strategist at Merrill Lynch, said: "There is a debate on on Wall Street as to whether Republican control of both houses leads to more legislation that is

for the economy and the possibil-ity for more Fed tightenings."

## Sweden's voters back EU entry

Mr Ingyar Carlsson, the Swedish prime minister, yestarday stepped up his hard-pressed campaign to win approval for Swed-ish membership of the European Union in Sunday's referendum,

his fellow Social Democratic leaders in Denmark, Finland and Norway issued a joint declaration on Tuesday night asserting that if Denmark's Nordic neighbours joined it in the EU, social demo-crats would strengthen their

social democrats and the Finnish Social Democratic party is expected to win a general election next

week urged Mr Carlsson - who celehreted his 60th birthday yesterday - to work harder to win over the many Euro-sceptics in his own deeply-split party to help overcome a strong Swedish anti-EU campaign in Sunday's

The left-dominated No side, which some recent polls have suggested is in the lead, has argued that anti-inflation policies steered by right-of-centre govern-ments in the leading EU coun-tries have been responsible for nigh unemployment within mem-

cost as many as 340,000 jobs in Sweden, on top of the 575,000 -more than 13 per cent of the It said the financial cost of with the effect of bringing down value-added tax to EU levels,

In his article in Dagens ployment. Joining the EU would give Sweden financial stability

"These are the conditions .

## PM pledges more jobs if

promising an urgent government programme to increase employ-

ent if there is a Yes vote "Immediately after a Yes in the referendum, the government will formulate a programme to promote more sustainable employment in industry...This work will be done in constructive co-operation with the labour market partners," he said in a newspaper article. Meanwhile, Mr Carlsson and

influence inside the Union.

The Danish, Norwegian and Swedish governments are led by March. Finland has already voted to join the EU and Norway will

Pro-EU campaigners have this

ber states.

The No campaign claimed ves terday that entering the EU could workforce - already unemployed Swedish membership, coupled

would eventually force the country into deep public sector Nyheter, Mr Carlsson countered that the EU was committed in its policy document of last year to working towards lower unem-

and encourage investment. reasonable interest rates and a more secure investment climate that create new possibilities to fight against unemployment. It is these conditions that I quickly want to take advantage of after a positive result in the referen-dum," he wrote.

#### THE LEX COLUMN

## Capitol confusion

The markets' initial reaction to the Republicans' mid-term triumph was euphoria. In many cases, the rationale was little more than the mantra that Republicans are good for business. In a few sectors, the increases were more justifiable. Defence stocks soared on hopes that traditionally hawkish Republicans could halt the decline in military spending. The effective death of the Clintons' healthcare package pushed up drugs stocks on both sides of the Atlantic, even though its demise will do nothing to ease margin pressures caused by the consolidation of the industry's customer base.
Then reality set in. The risk that

Republican isolationists could block ratification of the recent world trade agreement - with all the consequent dangers for the world economy - has increased. Most worrying is that pru-dent fiscal policy could be sacrificed on the altar of political expediency. With only two years to go before the presidential elections, Mr Clinton and the Republicans could start competing over who can deliver the largest tax cuts. Given that taxes are easier to cut than spending, the budget deficit could once again start expanding. The markets fear that could boost inflation, unsettle bonds and equities and require even larger increases in inter-

Any hopes that the elections would reduce uncertainty have been unfulfil-led. Indeed, yesterday's erratic movements probably represent a harvinger of greater market volatility brought by the Republicans' victory.

Underwriting fees

There has been a hostile reaction to Mr Paul Marsh's report on UK sub-underwriting commissions from some sections of the City. The current sys-tem for raising capital through rights issues suits the City very well. Many institutions and merchant banks fear that the OFT-sponsored report will provide useful ammunition for those seeking to move London towards the New York model for raising equity.

But the report does not question the virtues of the rights issue system. It merely argues that the fixed 1.25 per cent commission paid to sub-under-writers provides them with excess returns. Mr Marsh calculates these by using an option valuation method to establish a "fair" price in each case. This is based partly on the historic volatility of a particular share price which his critics argue is likely to change during a rights issue. In fact,

FT-SE Index: 3099.6 (+35.8)

the evidence suggests volatility actu-

1990 91 92 88

Other criticisms of the methodology are somewhat undermined by the fact that some aggressive investment banks are using similar techniques to price their risks.

If Mr Marsh's case that there are excess returns looks strong, it is less clear what should be done. The authorities could simply force a reduction in the flat rate though that would still mean strong issuers were subsidising the weak. Issuers themselves could haggle with their advisers and threaten to go elsewhere. In practice, they do not because they are afraid that their plans will leak out. But maybe the conventional wisdom that impending rights issues must be kept secret needs to be challenged.

Given the opacity of Siemens' accounting, it is hard to say exactly what caused the worse than expected fall in pre-extraordinary profits in the year to end-September. But the figures-undoubtedly reflect poor performance on its enormous investment portfolio, as well as continuing losses at Nixdorf and mounting price pressures in telecommunications.

Greater segmental disclosure - due for the first time in December - will focus the spotlight on the group's structural and operating weakness The details will highlight the fact that tough rationalisation is necessary if Siemens is to improve its lamentable earnings performance and restore its international competitiveness. So far, its approach to cost-cutting and restructuring looks kid-gloved com-

pared with that of international com-petitors or even other large German industrial companies. The number of domestic employees fell a modest 7 per cent in the past financial year. The decision to sell the US pace-maker business earlier this year was a step towards defining core busines full-scale restructuring looks as distant as ever.

Siemens suffers from the sheer scale of its liquid resources. They cushion the group from the pressures felt by less wall-padded groups. Tha unchanged dividend shows that Siemens is not contemplating giving the money to shareholders. Investors, for their part, should continue to avoid the stock until there are clearer signs that management is getting to grips with Siemens' notoriously studgy cul-

#### Cable & Wireless

Cable & Wireless has traditionally enjoyed a premium rating. Investors have been impressed with its strategy of taking cash from its enormous profitable Hongkong Telecom subsidiary and reinvesting it in start-up ventures elsewhere. Yesterday'a bad news from Mercury Communications. C&W's largest such investment by far, raises doubts over whether the pre-

mium is justified any longer.

The cost cutting amounced yesterday is certainly necessary to revive Mercury's fortunes; any regulatory relief on the fees it pays BT for chan-nelling calls over the larger company's network would also he a bonus. But neither will be sufficient to raise Mer-cury's return on capital, which fell to around 11.5 per cent on an annualised basis in the half year to end-September, to an adequate level. While Mercury puts its house in order, BT is also cutting costs and new competitors are entering the market targeting Mercury's best costomers.

If C&W is unable to earn good returns on cash recycled from Hongkong Telecom, a central factor in pres-erving its premium rating will be the possibility of breaking up the group. Once the market value of C&W's 57.5 per cent stake in Hongkong Telecom is subtracted, there is little value left in the rest of the group's operations. The snag with this argument is not simply that C&W's management has set its face firmly against such unbundling. Any attempt to off-load the Hongkong Telecom stake might so depress its price as to defeat the purpose of the

This announcement appears as a matter of record only



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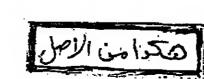


of

The undersigned initiated the transaction and acted as exclusive financial adviser to Jefferson Smurfit Group plc in the acquisition.



Bankers Trust International PLC



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OTHE FINANCIAL TIMES LIMITED 1994

Thursday November 10 1994

#### **Specified** Worldwide LB.Plastics Limited Tel: 0773 852311

**Electrolux** 

profits

surge to

SKr5bn

By Christopher Brown-Humes

Cost-cutting, big capital gains, and west European economic recovery powered a seven-fold rise in profits at Electrolux in

#### IN BRIEF

#### AT&T in Mexican joint venture

AT&T, the US telecommunications group, is to form a \$1bn joint yenture with Grupo Alfa, a large Mexican industrial conglomerate, to provide tel nications services in Mexico. Page 20

Quaker in trendy marriage The marriage between 103-year-old Quaker Oats, the US cereal manufacturer famous for porridge, with Snapple Beverage, a trendy soft drink company, sees Quaker becoming market leader in the three fastest-growing beverage segments in the US.

Union Pacific seeks to derail bid The takeover battle for Santa Fe Pacific, one of the biggest US railway companies, yesterday took a new turn after Union Pacific, the bostile bidder, produced a surprise tactic in an attempt to outmanoeuvre Burlington Northern, the friendly suitor. Page 22

Associates lift News Corp 15% News Corporation, Rupert Murdoch's international media group, has announced a 15 per cent rise in net profits to A\$301m (US\$230m) for the September quarter, helped by a 43 per cent increase in earn-ings from associated companies and a lower net interest bill. However, Australian and UK newspaper interests were flat. Page 23

Cost cuts help Japanese drugs Cost-cutting and firm sales of high-margin drugs pushed up earnings at leading Japanese drug companies for the first six months to September in spite of weak growth in overall sales. Page 23

Japan and Europe restrain Amersham A disappointing performance in Japan and continental Europe limited first-half profits growth at Amersham International, the UK health science group. Pre-tax profits for the stx months to September 30 rose 13 per cent to £19.6m (\$32m) on sales up 6 per cent. Page 26

Barr board warns of threat to franchises The board of Barr & Wallace Arnold Trust, whose voting shareholders are split by a family feud, has warned that the motor side of the UK group could lose Its distribution franchises, if rebel shareholders vote down its proposals. Page 26

Electrocomponents rises 14% Electrocomponents, the UK electronic, electrical and mechanical components distribution group, lifted interim pre-tax profits 14 per cent to £35.5m

Carlisle completes its transformation Carlisle Group has completed its transformation from a UK financial services company to a property group with the announcement of a £14.4m (\$24m) placing and open offer to help fund £29m of property purchases. Page 28

Morgan Stanley cuts HK portfolio Morgan Stanley Asia has cut its allocation of Hong Kong equities to 35 per cent from 40 per cent in its Asia-Pacific model portfolio. The move came less than a week after HG Asia (Singapore) also recom-mended investors to trim allocations in Hong Kong. Back Page

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sharp profits setback in the year to the end of September. Net earnings before extraordi-nary items fell 17 per cent to DM1.65bn (\$1.1bn) because of

By John Ridding in Paris

its parent company.

Alcatel-SEL, the German subsidiary of Alcatel Alsthom,

the French telecoms, transport

and engineering group, yesterday announced substantial restruct-

uring measures aimed at stem-

ming losses which have shaken

The announcement coincided

with another blow to Alcatel Als-

thom. Mr Jean-Claude Leny,

cbairman of Framatome,

revealed that the French govern-

ment had decided against the planned privatisation of the

nuclear power plant group. Alcatel Alsthom had lobbled hard

to take control of the company,

in which it has a 44 per cent

Alcatel-SEL said it planned to

cut 5,300 jobs, almost one quarter of the workforce, by the end of 1995. Two plants, at Mannheim

and Rochlitz are to close.

The moves are aimed at curb-

ing losses which are expected to

total about DM300m (\$201m) this

year at the operating level. "We are losing about DMim a day," said Mr Gerbard Zeidler, chair-

man of Alcatel-SEL. Provisions of

between DM200m and DM300m

will be required this year to

cover losses in 1994. A return to

profit is not expected until 1996.

The heavy losses reflect diffi-culties faced by suppliers of tele-

communications equipment in

the German market. Orders from

clients such as Deutsche Tele-kom, the national telecoms nper-

ator, have falleu, while prices

have been hit by increased com-

The deterioration in the mar-

ket reflects structural problems,

petition in the sector.

Executives had warned earlier of a maximum decline of up to 15

Although yesterday's preliminary figures gave no earnings breakdown, recent statements have suggested that core divi-sions - including public telecom-munications and the KWU power

Group sales, up 10 per cent abroad and down 4 per cent at

appeared to slow in the second

The statement blamed weak demand for heavy plant and elec-trical equipment for the drop in

domestic orders. Most foreign growth came from the Americas and the Asia-Pacific zone. Best results appeared to have been posted by divisions such as automotive components and rail-ways which reported sales

Earnings fall 17% as power generation and telecoms operations face weaker demand in eastern Germany subsidiary raised total net profits by 1 per cent to DM1.99bn.

Increases of 16 and 21 per cent respectively.

The lossmaking computer subsidiary. Siemens Nixdorf, recorded a 2 per cent turnover decline although domestic orders were reported to have increased. for the first time.

Turnover at the Osram lighting business, bolstered by the first-time consolidation of the US Sylvania group, rose 82 per cent to DM5.4bn.

The group cut 21,000 jobs dur-ing the financial year, of which 17,000 were lost in Germany. The number of part-time workers rose

the first nine months.
Income at the world's higgest manufacturer of bousehuld appliances after financial items rose to SKr5.08bn (\$690m) from The sale of three non-core industrial units produced capital gains of SKr2.77bn and boosted operating income to SKr6.26bn from SKr2.01bn.

Excluding the sale, operating income was 78 per cent higher at SKr3.48bn while income after financial items was up 224 per cent at SKr2-31bn. Earnings per share climbed to SKr19.8 from SKr2.0. Electrolux B shares closed SKr9.5 higher at SKr365.5. Mr Leif Johansson, chief exec-utive, said the underlying improvement was mainly due to the group's restructuring and

cost-cutting programme which has boosted productivity by 10 per cent over the last year. But he said market conditions in Europe and the US were also better, reflected in an 8 per cent underlying increase in sales to

SK179.8bn. The group said there were signs that the pace of demand increase in North America was slowing, while momentum was increasing in most Enropean

"We are also starting to see some price increases in the Euro-pean household appliance market," Mr Johansson said, although he noted that the group's own raw material costs were also rising. Sales of household appliances

100

 $-I_{i}$ 

rose by 9.2 per cent to SKr47.6bm. The group's three other divisions, commercial appliances, outdoor products and industrial products, also improved operat-

ing income In the third quarter, group income after financial items climbed to SKr650m from SKr107m after an 8 per cent rise in underlying sales to SKr24.2bm. There was a stronger performance from the group's commercial appliances division, which suffered from weak demand in

Following its purchase of AEG's household appliances, Electrolux has shifted its focus to Asia and China where it aims to double annual sales to nearly SKr10bn in five years.

## Restructuring costs hit Siemens

By Christopher Parkes in Frankfurt

Siemens, Germany's leading electrical and electronics group, is to pay an unchanged DM13 dividend despite an unexpectedly

higher restructuring charges. increased price competition in key operating sectors, and rela-tively weak investment income, the group said yesterday.
However, the DM344m proceeds

**Alcatel Alsthom** 

acts to cut back

German losses

generatinn subsidiary - have been squeezed especially hard by international price competition

according to industry analysts

Telecoms investment in eastern Germany has slowed, while the

shift by Deutsche Telekom to

increase competition in the award of contracts has under-

mined the position of traditional

suppliers such as Alcatel and Sie-

mens. Industry analysts in Paris said thet the situation had been

aggravated by the slow response

unit are one of the higgest set-

backs to confront Alcatel Als-

thom, which has grown rapidly over the past decade to become

one of France's largest and most

profitable industrial groups. The

losses in Germany were one of the principal factors behind a

warning in July that profits at the French group would fall by

about 40 per cent this year from FFr7.06bn (\$1.37bn) in 1998.

described yesterday's measures as rigorous. "It is encouraging,"

said an analyst. The restructur-

ing plan, however, coincided with

the setback concerning Framatome. Mr Leny, Framatome chairman, said that

the government had decided

against privatising the group because it would undermine the

structure of the French nuclear

industry and could lead to its dis-

Alcatel Alsthom yesterday rejected such a possibility, but

admitted that the planned opera-

tion had become deadlocked dur-

ing the summer. The principal

taking e controlling stake and

concerns expressed by

Industry observers in Paris

The problems of the German

Alcatel-SEL

Orders increased 5 per cent

home, rose an aggregate 4 per cent to DM84.6bn. thanks solely to a 15 per cent increase in foreign demand, which accounted for 60 per cent

of the total bookings.

Domestic orders, which were 6 per cent lower after six months, fell 7 per cent over the full year.

■ Telecoms group to cut jobs ■ Further growth in HK Mercury stalls after strong growth

#### C&W to shake up Mercury operations

By Paul Taylor in London

Cable & Wireless, the UK telecommunications group, yes-terday announced a "substantial cost and head-count reduction programme" at its UK-based Mercury Communications subsidiary while reporting an 11 per cent rise in interim pre-tax profits.

Lord Young, chairman,

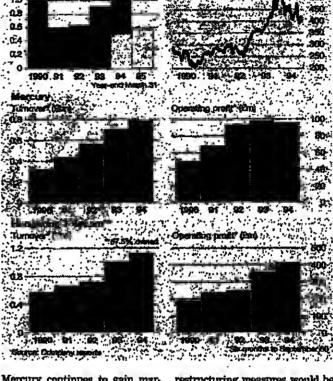
declined to be drawn on the scale of the likely job cuts. However, the National Communications Union said it believes job losses at Mercury will total around 1,100 and analysts suggested that up to 2,000 of Mercury's 11,400 jobs could be at risk. Pre-tax profits increased in line

with expectations to £567m (1900 R) in the six months to Sep tember 30 from 2507m a year ago temoer 30 from 200m a year ago on turnover which grew by 9 per cent to £2.33bn (£2.54bn.) The shares closed down 7p at 382p. The results were underpinned by the continued strong perfor-

mance of Hongkong Telecom which is 57.5 per cent owned by C&W and contributed £417m (£365m) to overall operating profits of £592m Improved group profits came

despite a surprise £3m decline in first-half operating profits at Mer-cury which fell to 196m on turnover up 12 per cent at £797m. Mercury's decline came despite a 21 per cent increase in call volumes and a 50 per cent increase obstacles involved the price of in customer lines to 2.1m. Growth in residential customer lines was particularly strong at Framatome's other partners,

54 per cent. including Siemens of Germany. Lord Young said that although



Mercury continues to gain market share it had been hit by the effacts of regulatory change which had resulted in pricing pressure and substantially higher Access Deficit Charge payments

to British Telecommunications. "Clearly we are disappointed by Mercury's financial performance but we do not intend to rely on regulatory change alone ameliorate the position," he said. "We are therefore restructuring Mercury which will enable us to introduce a substantial cost and headcount reduction pro-

Lord Young said details of the

restructuring measures would be announced within the next month by Mercury's new chief executive, Mr Duncan Lewis, appointed earlier this week.

Despite the setback at Mercury, Mr James Ross, C&W's chief executive, insisted the group's results, showing e rise in operating profit of 17 per cent, "were a good performance marred only by the difficulties of Mercury Earnings per share rose to 11.9 (11.1p) and an interim dividend of 2.83p (2.6p) per share was declared, a 9 per cent increase on

Lex, Page 18; Details, Page 26

#### European banks forced to change course in US

#### Barclays learns hese days, it seems every European bank wants to be in the US Investment banking business. Bank execulessons from a tives from Deutsche Bank, Crédit Lyonnais and Uninn Bank of Switzerland, among others have talked this year about growing promiscuous past their trading and deal-making

skills to complement their lending and foreign exchange busi-Barclays is no exception. After a disastrous foray into corners of the US financial market in the

1980s, the UK bank may have been pulling in its horns recently earlier this week, for instance, it said it was in talks to sell its profitable US asset-based lending business. But it is now also focusing on growth. No bank with pretensions to

serving big companies can afford not to bave a substantial presence in New York, according to Mr Martin Taylor, Barclays chief executive. The investment banking business internationally demands dollar capability," he

Also, techniques and skills developed in the US derivative and other financial markets are e driving force around the world. nation and ideas in the [capital] markets," said Mr Taylor. With a number of fnreign

banks pursuing the same goal -and some of the US's own commercial banks moving into investment banking - is there euough business, let alone enough skilled traders and dealmakers, to go around?

Like other foreign and US institutions, Barclays lent liberally to US companies at low margins during the 1980s, hoping to forge relationships which would yield more profitable business later. It Mr Taylor now refers to that

era as one of "extreme promiscuity". "Nobody built any particular loyalty or any particular There were also bad credit judgments. Last year, Barclays took a £346m (\$567m) charge against its US loans, £1bm of which were classified as non-performing at the end of 1993. Like others, it was caught out by excessive property lending.

Now, the bank is busy cutting

vices in the US. "Banks are getting back to the idea of baving fewer and deeper relationships. said Mr Taylor. At the start of 1993, Barclays did business with 900 US companies: that number has been cut to around 200.

It has also pulled out of a range of retail nr small business finance businesses entered during the 1980s. Besides the asset finance company, virtually the only one left is Barclays American Mortgage, which services

n the past three years, these mistakes - and charges for shedding excessive infrastructure - have cost the bank £1.1bn. The continuing part of its business, by comparison, made profits of \$168m last year.

Barclays is trying to graft an investment banking business on to what is left. In this effort, it has some things working in its favour. Its name still scores high marks for recognition in the US and its reputation has barely been tarnished by problems in the UK. Mr Taylor calls this the "halo effect"

The era of expansionism has left the bank with a base of customers on which it can build. "However expensive an entry it was, we have got the relationships," said Mr Taylor, it was one of six banks, and the only non-US

one, which committed \$500m each to back the (ultimately unsuccessful) bid for Paramount Communications by QVC. Also this year it co-arranged a \$325m financing to back a merger of two cellular companies to form Western Wireless.

Mr Taylor calls commitments like that to QVC "the strategic use of the (bank's) balance sheet" - providing the bridging finance or underwriting to support a big corporate transaction. In future, he says, Barclays plans to use its capital in this way, rather than take on loan assets.

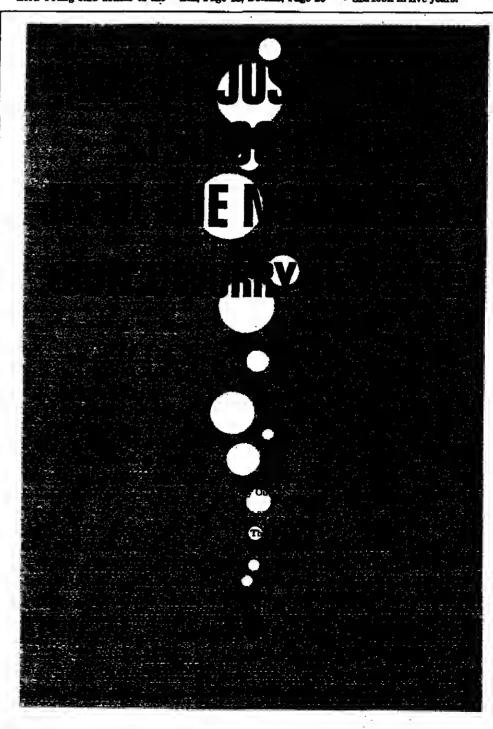
Barclays will have to avoid the sort of temptations which led it astray before.

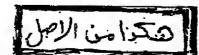
Mr Taylor seems wary of getting drawn into new areas suc as US equities. "The market is very well supplied with strong players at the moment."

The bank will also have to rebuild morale and managemen in the US. That process may not be smooth: while Mr Richard Webb, head of the US bank, has handled the clean-up smoothly, the two joint-heads of the investment banking business in New York - Mr John Sutherland and Mr Malcolm LeMay - have left.

Mr Taylor earlier this year pro fessed himself happy with the US management. But he added: "The challenge for Barclays in managing its US operations is how you move that management group over the next few years when you're coming out of a turnround phase into a development phase.

Richard Waters





## AT&T in \$1bn Mexican venture

in Mexico City

AT&T, the US telecommunications group, is to form a \$1bn joint venture with Grupo Alfa, a large Mexican industrial conglomerate, to provide telecommunications

services in Mexico.

Alfa will hold 51 per cent of the venture and AT&T 49 per cent. The jointly-owned company is expected to apply for a licence to offer long-distance telephone services in Mexico, a market which will be opened up to competition from Januarv 1997.

Hagemeyer

raises Fl 90m

in placement

Hagemeyer, the Dutch products and food trading group, has raised F1 90m

(\$52.9m) of new capital in a pri-

The issue, announced earlier

this year, will increase the

total number of shares out-

The Naarden-hased group

also announced it had placed a

\$45m, five-year, floating-rate

exchangeable subordinated

note issue with Dutch institu-

tional investors. The notes.

designed to improve the struc-

ture of debt rather than

increase the burden, are

exchangeable into minority

equity at the option of Hage-

meyer's financial aim to keep

its shareholders' equity at a

level of between 25 and 30 per cent of balance sheet total,"

Its Hong Kong parent com-

pany, First Pacific, participated

in the share offering to hold its stake unchanged at 50.04 per

The remainder of the newly-

issued common shares have

been placed with a small num-

ber of foreign and domestle

investors, who paid a price at

Hagemeyer, which has

expanded this year through the takeover of UK electro-techni-

cal wholesaler Newey & Eyre

and a joint venture in Asla,

said it expected earnings per share to rise in 1994, from last

Hagemeyer said.

market average.

"Both transactions fit Hage-

nary shares, AP-DJ reports.

standing by 4.7 per cent.

MCI has agreed to form a expected to form a venture laund company with GF Banaccl, with AT&T, with which it Alfa.

By Ralph Atkins,

market is valued at about \$7bn

AT&T said its venture with Alfa would offer a full range of telecommunications services, beginning in 1995, depending on regulatory approval by the transport and communications

It said the \$1bn investment would be spread over between four and six years. AT&T is the fourth large US telecoms carrier to announce ventures in Mexico

Commercial Union, the large

UK composite insurer, yester-

day reported pre-tax profits up

£165m (\$270.6m) at £305m for

the first nine months, helped

largely by the revival in the UK non-life insurance sector.

Mr John Carter, chief execu-

tiva, said UK underwriting

margins were "still looking favourable" with claims rela-

tively low and many premiums

stahla or rising. But he acknowledged that trading

conditions in insurance were

unlikely to remain as good in

Underlining the extent of

competition - particularly from direct telephone-based

insurers - the company reported that the number of

private motor vehicles insured

by it had fallen 18 per cent

The results were broadly in

Shares in the Long Island

Lighting Company, a private-

sector US electricity company.

tumbled by \$11/2 to \$161/4 in

early trading, a decline of more

than 8 per cent, following the

defeat of Mr Mario Cuomo, the

state's Democratic governor, in

Last month Mr Cuomo pro-

the US mid-term elections.

the next few years.

over the past year.

By Richard Tomkins

Mexico's largest financial group; Sprint has linked with luscell, a cellular company; and GTE has joined forces with GF Bancomer, Mexico's second largest bank, and Visa, a large

Mexican company. All are hoping to anter the Incrativa long-distance The alliance between Alfa

and AT&T may raise questions about the long-term strategy of Teléfonos de Mexico (Telmex), the current monopoly longdistance and local carrier. Telmax had been widaly

Commercial Union advances to

line with expectations and the

group's sharas endsd unchanged at 543p.

In continental Europe,

strong growth in general insur-

ance premiums helped increase

operating profits in the Nether-

lands to £64m from £53m, but

elsewhere CU made an operat-

ing loss before taxation of £6m

were hit by bad weather and

catastrophe claims. US operat-

ing profits before tax fell to

had heen affected by a tough

market for pension products

but he forecast that the Securi-

ties and Investment Board's

proposed programme for

reviewing past sales of per-

sonal pension policies would

not have a material effect on

For the group as a whole, profits from the life husiness

Cuomo's defeat hits Lilco shares

posed to huy out Lilco's share-

holders at \$21.50 a ahare and

take the the company into

state ownership in an attempt

However, the plan looks unlikely to go ahead under

New York's new Republican

Mr Cuomo said Lilco's elec-

tricity rates, the highest in the

US, would fall by 10 per cent if the company were nationalised

governor, Mr George Pataki.

to cut electricity hills.

its statutory life profits.

Mr Carter said UK growth

Contributions from the US

against £24m.

644m from 650m

£305m on UK non-life revival

Telmex's share price tell mid-morning on news o the announcement.

Alfa, a Monterrey-based conglomerate with interests in steel, food and petrochemicals posted sales last year of 8hn pesos (\$2.3hn) and income of

One of the company's largest minority shareholders is GF Inbursa, a financial group controlled hy Mr Carlos Slim, the chairman of Telmex. GF inbursa has played down rumours that it might seek to launch a takeover hid for

Growth in new life annual pre-

miums in continental Europe was partly offset hy lower UK

sales of individual life and pen-

Operating results for general

insurance jumped to £202m

from £57m. Total premium

income in the first nine

months was £4.50hn against

since CU acquired on October 6

the French insurer Groupe Vlc-

toire, which will be included in

Shareholders' funds at Sep-

tember 30 totalled £2.1hn com-

pared with £2.5bn at December

31 1993. The drop largely

Operating ratio in the UK -

which measures claims, com-

missions and expenses as a

percentage of premiums -

amounted to 97 per cent in the

nine months, against 104 per

have to pay federal taxes or

Later this month Lilco's elec-

tricity rates are due to be reviewed, but the New York

Public Service Commission.

the state body that sets elec-

tricity rates, is not expected to

Shareholders fear tha result will be declining company prof-

its and a cut in the dividend.

shareholder dividends.

permit any increase.

reflected the poor performance

of bond and equity markets.

final-quarter results.

The results were the first

slon products.

£4.49bn.

#### falls 6% to DKr1.2bn By Hilary Barnes

Novo

**Nordisk** 

Pre-tax profits at Novo Nordisk, the Danish pharma-centicals and industrial enzymes producer, fell hy 6 per cent to DKr1.24bn (\$211m) from DKr1.32bn in the first nine months of the year. The group's net profits fell 7 per cent to DKr 934m from

Earnings per share were reduced to DKr24.50 from DKr26.66 last year. Bnt the gronp forecast that pre-tax earnings for the full year will be DKr1.92bn-DKr1.97bn, compared with DKr1.86hn last

A 12 per cent increase in sales so far this year was eclipsed by a faster growth in costs, which reflected expansion in production capacity, the group said.

Sales were up to DKr9.94bn from DKr8.84bn, including a rise of 13 per cent by the insulin-producing healthcare division to DKr6.69bn and by 11 per cent to DKr2.64bn in the industrial enzymes.

Costs rose 16 per cent to DKr9.09bn, including tax and net financial Items, with the latter increasing DKr31m to DKr135m.

The group said it bad problems meeting demand for some types of insulin, used for diabetic care, in the US as a result of a temporary closure of a Danish plant.

In addition, there had been delays in bringing a new plant In the US on stream due to US Food and Drug Administration requirements.

#### Water group loan

General Utilities, holding company for the UK water company assets of Compagnie Générale des Eaux of France, has returned to the syndicated loan market with a £120m revolving credit facility arranged by Chemical Bank, writes Martin Brice in Lon-

Chemical Bank said the loan would replace a £160m deal It arranged in 1991 for the com-

## Profits recovery at SAS continues in third period

The recovery at Scandinavian Airlines System (SAS) contin-ued in the third quarter, enabling the group to report pre-tax profits of SKr1.24hn (8170m) for the first nine months after a SKr1.13hn loss in the same 1993 period. The group, half-owned by the

governments of Sweden, Denmark and Norway, henefited from cost-cutting, a lower debt hurden and a positive brend in its core airline business. Disposal of non-core operations yielded SKr829m in capital gains.

The airline was hit hy SKr750m in restructuring costs and a higher aircraft deprecia-

tion charge after a change of accounting methods. Operating income fell slightly to SKr28.3hn from SKr29.2bm, but costs fell fur-

ther to leave the group with an operating profit before depreci-ation of SKr2.56bn, compared with SKrl 82hn. The figures benefited from a 7 per cent currency-adjusted rise in traffic revenues and higher yields. The traffic

Scandinavian routes. The group's cost-cutting programme, involving the loss of 3,000 jobs, is also beginning to have an impact.
The third factor in the air-

increase was felt mainly on the

company's European and intra-

line's revival has been sharply reduced interest costs after

since the start of the year.
The balance sheet has been strengthened by the disposal of SAS Leisure, a tour operator, SAS Service Partner, a catering unit, and Dimers Club Northerness and Strengtheness Club Northerness Club Nor dic. These generated more than

SKr3bn in cash flow. The third quarter brought a SKr624m pre-tax profit after last year's SKr520m loss. It was the airline's second consecutive quarter in the

lack and keeps it on course

for its first full-year profit since 1989. During the past four years, it has made losses due to recession, fierce competition, heavy restructuring costs and currency losses.:

## Austrian building group

By Ian Rodger in Zurich

Wienerberget Banstoffindustrie, the Austrian building materials group, reported a 5.7 per cent rise in pre-tax profits in the third quarter to Sch3Sem (\$36.4m). This was mainly due to the strong per-formance of its core bricks and pipes businesses.

For the nine months, pre-tax profits were ahead 30.7 per cent to Schl.02bn and the directors have raised their profit forecast for the full year to Schl.15hn, 22.6 per cent above the 1993 result.

Sales in the nine months fell 20.6 per cent to Sch7.4bn. mainly because of the sale of the sanitary fitting subsidiary to Wolseley of the UK earlier this year. Excluding this distortion, sales were ahead about 10 per cent, the group said.

The loss at the troubled Treibacher ferro-alloy subsidiary was slashed in the third quarter to Sch7.8m from Sch68.1m, in the same period of last year, mainly as a result of cost reductions. There was a small improvement in market condi-

Pre-tax profits of the wall.

celling and roof division advanced 5.4 per cent to Sch2825m in the third quarter, while those of the pipe systems and sawage technology divislon jumped 56 per cent to

· Lenzing, the world's largest producer of viscose fibres, said sales were flat in the first nine months of the year at Sch6.04bn, excluding the 1993 sales figures of Glanzstoff, sold earlier this year.

The group, which suffered a loss of Sch203m in 1993, said it expected a positive result for the full year 1994.

#### UK retailer may sell banking arm

By lan Hamilton Fazey, North of England

The sale of part or all of the Co-operative Bank is being considered by its owner, the Co-operative Wholesale

S.G. Warburg, the UK investment bank, has been commissloned to examine selling shares in the bank to another co-operative financial institution. Since last year, contact is believed to have been made with co-operative banks in Canada, Germany, France, Belglum and Switzerland.

The CWS board discussed a paper on the bank's future last week, but decided to take no short-term action.

The Manchester-based bank has only 3,500 employees and 2 per cent of in the UK retail market. However, it is strong in two niches: "gold" credit cards and local government accounts. It has also attracted customers by refusing to do business with companies that it considers insensitive to environmental issues.

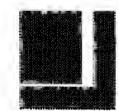
Its asset base was £3.4bn (\$5.4bn) in its accounts for the year to January 8, with pre-tax profits of £17.8m.

The CWS was founded in 1863 and set up the bank nine years later. As owner of 100 per cent of the equity, the CWS has to guarantee the bank's capital hase. Returns on the £22m invested so far have been poor because the bank has had to retain profits to keep its base strong.

An alternative recommended in last week's board discussion paper was to transfer owner-ship to the Co-operative Insurance Society, although this would be unlikely to be approved by the Bank of England, the banking regula-

This announcement appears as matter of record only

October 1994



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PTE 6,792,120,000

**Private Equity Offering** 

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Santander Investment

#### BARCLAYS

**BARCLAYS BANK PLC** U.S.\$330,830,000

**Junior Undated Floating Rate Notes** 

Notice is hereby given that the Rate of Interest for the Interest Period from 10th November, 1994 to 10th May, 1995 is 6.375 per cent. per annum and that on 10th May, 1995 the amount of interest payable in respect of each U.S.\$3,000 principal amount of the Notes will be U.S.\$160.26 and in respect of each U.S.\$50,000 principal amount of the Notes will be U.S.\$1,602.60.

> Barclays de Zoete Wedd Limited Agent Bank

CREDIT LYONNAIS YEN 60,000,000,000 54,PER CENT. BONDS **DUE 1999** 

Bondholders are herehy informed that Crédit Lyonnais will redeem the total amount of the outstanding bonds at the principal amount thereof on 14th December 1994, as permitted under Condition 3(B) of the Terms and Conditions of the Bonds.

The Fiscal and Principal Paying Agent. 為 CREDIT LYONNAIS



Floating Rate Notes 1999

The notes will bear interest at 6.3125% per annum for the interest period 8 November 1994 to 8 February 1995 Interest payable on 8 February 1995 will amount to \$159.11 per \$10,000 nate and \$1,591.10 per \$100,000 nate.

Agent: Morgan Guaranty Trust Company

#### LOPEZ, INC.

Exchange Offer To Eligible Holders of the

P1,249,960,666 4.2% Perpetual Convertible Bonds (Bonds) of Benpres Holdings Corporation - Benpres" of the right to exchange their Bonds for Global Depositary Receipts (TORET) in respect of certain SPUR rights ("SPURs") granted by Lopez, Inc. (1,1027) relating to

common shares of par value PLO0 each ("Shares")

Further to previous unnouncements relating to the Exchange Offer, an aggregate amount of 13,933,152 GDRs in respect of 13,933,152 SPURs granted by Lapez relating to 278,663,040 Shares have been issued to those eligible holders of Boards who accepted the Exchange Offer, January, the Exchange Co-ordinator, protect that acceptances were received in respect of approximately N6,5% of the outstanding

Such GDRs are in addition to the 16.675.000 GDRs previously issued at an ignor price of USSIQ.NO each in respect of 16.675.000 'sPURs ground by Lapsy relating to 333,500,000 Shares.

PETROFINA S.A.

52 rue de l'Industrie - B-1040 Brussels T.V.A. No. 403.079,441 - R.C. Brussels No. 227,957

Shareholders are invited to attend the EXTRAORDINARY GENERAL MEETING in Brussels, at 52 rue de l'Industrie, on November 28, 1994, at 2.30 p.m. (Brussels time), with on the agenda: 1. · A recommendation to irrevocably waive, with effect

from the 1994 financial year, the tax saving resulting from the exemption provided by Royal Decree no. 15 of March 9, 1982, as subsequently modified, and payable to the AFV-shares; and to propose the deletion of paragraph 4 of article 34 of the Articles of Association in consequence. 2. To empower the Board of Directors to enforce resolutions adopted at that meeting and to determine the

method of execution thereof. The shareholders' quorum must represent at least half the capital. Failing this, a second meeting with the same agenda, will be held on December 16, 1994 at 2.30 p.m. In anticipation of the first meeting, the holders of bearer shares may deposit their shares until close of business on November 23, 1994, in the following institutions:

Banque Bruxelles Lambert Générale de Banque CGER Kredietbank Banque Parihas Belgique Banque Nationale de Paris Crédit du Nord Banque Internationale à Luxembourg Banque Générale du Luxembourg Commerzbank Deutsche Bank Dresdner Bank Crédit Suisse Swiss Bank Corporation Union Bank of Switzerland ABN-Amro Bank Credito Italiano Barclays Bank (Fenchurch St., London).

The Board of Directors

Top Finance (Bermuda) !! Ltd.

up to U.S.\$95,000,000. 9.26% Guaranteed Secured Notes Due 2000

Notice of Redemption All or a portion of U.S. \$95,000,000 outstanding principal amount of the 9,26%. Guaranteed Secured Notos Oue 2000 issued under the Indenture dated as of December 1, 1989 between the Issuer and Texas Commerce Bank National Association, as trustee, are hereby being called for redemption of the Issuer on Oecember 7, 1994, at par plus accrued interest. No other Class of Notes or Equity Issued under the Indenture is subject to this Notice of Redemption.

Redemption.

Interest on the redeemed Notes will cease accruing from and including December 7. 1994, unless the redemption does not occur. Failure to redeem the Notes on December 7. 1994 does not constitute an Event of Default under the Indenture, but rather the Notes will continue to be outstanding and interest will continue to accrue. Holders will be further notified as to the exact amount of Notes to be redeemed, and thereupon are requested to surrender their Notes and Coupons to be redeemed at one of the following locations: Chemical Bank, London; Banque Internationale & Luxembourg, S.A., Luxembourg; Kredietbank, N.V., Brussels; or Union Bank of Switzerland, Zurich.

NOTICE TO POTENTIAL PURCHASERS KASSANDRA MINES OF

"HELLENIC CHEMICAL PRODUCTS & FERTILIZERS COMPANY S.A."
OF ATHENS, GREECE

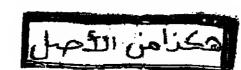
OF ATHENS, GREECE

"FITHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", in its capacity as Liquidator of "HELLENIC CHEMICAL PRODUCTS AND FERTILIZERS COMPANY SA" of 20, Amalias Avenue, Athens, Greece the "Company"), which has been declared by virtus of Decision No. 4299/1992 of the Athens Court of Appeal, under the status ospecial liquidation according to the provisions of article 46a of Law 1892/1990 gives notice to the Decision of interest was published in the Financial Times on the 11th and 12th Of Conber 1994 requesting all Interested parties to usbrait a Declaration of Interest in acquiring the Rassandra Mines within a period of 20 days, A supplementary announcement was published in the Financial Times on the 28th of October 1994 by default. Nevertheless, the dates of the publication of the Call for Tenders and of the Auction shall be calculated with effect from the Invitation published on the 11th and 12th of October 1994.

For the submission of Declarations of Interest, as well as in order to obtain the Offering.

Invitation published on the 11th and 12th of October 1994.

For the submission of Declarations of Interest, as well as in order to obtain the Offering Memoraphans and any other information, concerning the Kassandra Mines, tupon execution of a confidentiality agreement) please address the Liquidation of the Company: "ETRINK! KEPHALEOU S.A. Administration of Assets and Liabibilets", address: 1, Shoulenion STires, Athens 105 61 Greece, fel. +361-323,14.847, fezz. +361.321.79.05 [attn. Mrs. Marika Frangakis) or the Liquidator's agent Messen, John Detsis and Stratos Michaelides, 20 Armilian Av., Athens 105 57, Greece, tel.: +30-1-322.75.70, fax: +30-1-322.11.03



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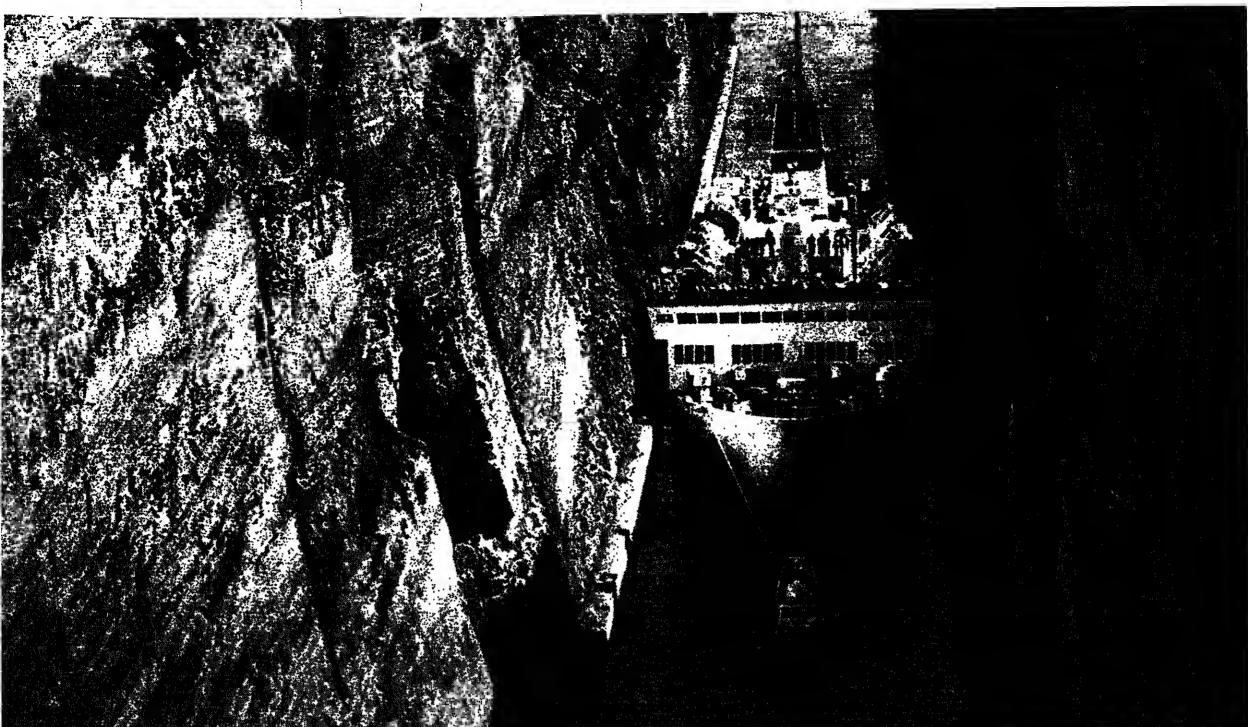
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## You're moving a \$2 billion portfolio through 11 markets in 11 days. And you have zero room for error.

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Twenty-three portfolios, three strategies and less than two weeks to rationalise and reinvest them

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That's why you began by holding a competition for the assignment. And hired the firm that did the most unexpected thing.

Instead of coming to you with a marketing presentation and a troop of people, they brought you a solution. A computer-designed model outlining a plan for the entire deal.

Trades broken down into manageable pieces that would float through the markets unnoticed. Hedges in place at every turn. Every transaction accounted for. With no cash balances at the end of each day.

And a complete pricing breakdown — for you to sign off on and for them to live up to. You know they'll come through.

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## **Union Pacific in** surprise new offer for Santa Fe

The takeover battle for Santa Fe Pacific, one of the biggest US railway companies, yester day took a new turn after Union Pacific, the bostile bidder, produced a surprise tactic in an attempt to outmanoeuvre Burlington Nortbern, the

friendly suitor. Union Pacific put forward a new offer worth \$3.3bn in cash and shares, substantially less than its last offer of \$3.8bn.

However, it said shareholders would get the cash and shares immediately instead of having to wait a year or more while the Federal regula-tory authorities considered the

The proposal could prove tempting to Sants Fe's share-holders becausa Burlington Northern's all-share offer is worth less - \$3.2bn - and would have to await regulatory approval.
Santa Fe, which had rejected

Union Pacific's two previous offers, yesterday said it was studying the latest proposal. The bids will be put to a shareholder vote on Novem-

Until now, Union Pacific's bid for Santa Fa. although

worth more than Burlington Northarn's, had looked lesa likely to succeed because it ran the risk of being ruled out on anti-trust grounds by the regu-latory authorities. Large parts of the Union Pacific and Santa Fe rail networks overlap. Under the new proposal, announced late on Tuesday,

Union Pacific is offering \$17.50 for each Santa Fe share, \$10 of it in cash and the remainder in Union Pacific stock. If Santa Fe shareholders

accept, Union Pacific will set up an independent voting trust to hold Santa Fe'a stock while the regulatory authorities consider the deal.

The effect of the offer is to transfer the risk of a regulatory refusal from Santa Fe's shareholders to Union Pacific's because if the deal were disallowed, Union Pacific would have to dispose of the Santa Fe stock - possibly at a substan-

Union Pacific's shareholders are not, however, being asked to approve the proposal. Santa Fe's shares sbot up

\$1% to \$16 in early trading yesterday, a rise of 9 per cent. Union Pacific'a shares dropped \$1/4 to \$49%, while Burlington Northern's were up \$%

#### Alcoa considers first investment in Russia

(Alcoa) is considering buying a minority stake in a Russian aluminium smeiting plant in Siberia in what would be its first investment in the former Soviet Union, Renter reports from Michigan.

While the initial investment would be small, it could grow to as much as \$500m over the next 10 years, said Mr Paul O'Neill, chairman and chief executive officer.

Mr O'Neill said be planned to visit the plant in Krasnoyarsk after the Thanksgiving holiday and would make a final decision within a couple of

He added that the smelter had the capacity to produce 750,000 tonnes of aluminium per year. However, the plant had numerous environmental problems and would need to be upgraded to become more effi-

He said his visit would provide first-hand evidence of the investments needed to modernise the plant, "I'm convinced it is a sufficiently real and interesting possibility that I need to go look at it myself."

A deadline for any possible deal is "close enough that we're going to bave to make a decision to put some real shareholder money at risk".

#### **Improved** margins lift **Federated** to \$44.3m

By Richard Tomkins

Increased sales and better margine helped Federated Department Stores, US owner of the Bloomingdale's department store chain, boost net income to \$44.3m in its third quarter to October from \$20.3m previously.

riage work?

But if it had hoped for a

favourable reaction from the

stock market, it was to be dis-

\$7% to \$67% on the day, a fall

The Snapple acquisition may

be the biggest in Quaker's his-

tory, but it is not the first.

Since the 1960s, the company

has diversified into other busi-

ness areas, including fast-food

restaurants, specialty retailing

and toy manufacturing, only to

get out again. But in 1983 it

struck lucky wben it bought

Stokely-Van Camp, a US food

company that made Gatorade,

Thanks to a combination of

changing tastes among increas-

ingly health-conscious US con-

sumers and heavy investment

in the brand by Quaker Oats,

sales of Gatorade shot up. In

1983 they were barely \$90m; in

the current financial year, they

a sports drink.

of nearly 10 per cent.

The increase was exagger-ated by a tax adjustment in the comparable period, but Federated sald net income would still have been 26 per cent higher if the adjustment had not taken place. Earnings per share rose to 35 cents from 16 cents.

Part of the profits increase came from an 8 per cent rise in revenues to \$1.93bn from \$1.79bn. Federated opened four new stores during the period, taking the total to 235, while sales at existing stores rose by 3.4 per cent.

Federated also benefited from its efforts to improve effi-

Selling, general and administrative expenses fell to 31.7 per cent of sales from 33.8 per cent, partly reflecting the group's investments in retail

Mr Allen Questrom, chairman and chief executive, said the figures demonstrated the group's ability to run the business at the division level while concentrating at the corporate level on the planned merger with the rival R.H. Macy department store group

#### Intel sees heavy Pentium demand

Intel, the leading supplier of microprocessors to the personal computer industry, expects demand for its Pentium chip to increase at an aggressive rate in 1995, AP-DJ reports from New York.

Mr Gerhard Parker, senior

vice-president, general manager, of the technology and manufacturing group of Intel. said he also expected the PC market to continue growing. He said the company expec-ted 486 chip demand to fall off as popularity for the Pentium

## A \$1.7bn marriage that faces a bumpy ride

Investors have doubts over Quaker Oats' purchase of Snapple, writes Richard Tomkins

Snapple deal not to investors' taste? ple. On the one hand is Quaker Oats, a 103-year-Quaker Oats (share price S) old US cereal manufacturer whose name is synonymous with porridge. On the other is Snapple Beverage, a trendy soft drinks company that has shot to prominence in the US through the phenomenal success of its "new age" iced tea and juice drinks. Will tha mar-Last week Quaker Oats announced it was paying \$1 7hn in cash to buy Snapple The acquisition, it said, would turn Quaker Oats into the biggest soft drinks company in the US after Coca-Cola and PepsiCo, and accelerate future

Source: FT Graphite

are expected to be \$1.2bn. But Gatorade's meteoric performance has not been matched by that of the group's other products, mainly cereals and pet foods. Here Quaker Oats has been doing bttle better than holding its own in the face of tough competition from bigger rivals, and overall profits growth has been flaccid.

The business logic for the Snapple acquisition looks straightforward enough. With Gatorade, Quaker Oats is already the US market leader in sports drinks. With Snapple's trendy Mango Iced Tea. Amazin' Grape Juice and the like, Quaker Oats will also become market leader in ready-to-drink iced teas and juice drinks. So Quaker Oats

becomes market leader in the three fastest-growing beverage

urther, Quaker Oats believes it can gain by feeding Snapple through Gatorade's distribution channels. Snapple sells mainly through corner stores and delicatessens, and has barely 1 per cent of its sales outside the US. Gatorade, in contrast, sells through convenience stores and supermarkets, and sells in more than 25 countries.

Quaker Oats also amounced it would offset part of the cost of buying Snapple by selling its European pet food and Mexican chocolate businesses. (Analysts think they may fetch around \$700m.) Mr William

Smithburg, chairman and chief executive of Quaker Oats, said this was to keeping with the company's policy of improving the profitability of lowerreturn businesses, or divesting

"Our goal is to deliver aboveaverage returns over time with a high-growth, high-margin portfolio of leading consumer branda that fuel healthconscious consumers around the world," Mr Smithburg said. So why the fall in the share

Partly, it was because Quaker Oats will look a good deal less vulnerable to a takeover bid than before - but for the worst of reasons.

Perhaps the biggest is the fact that news of the deal coincided with the publication of Snapple's latest financial results showing that net profits had slumped from \$26.9m to \$7.1m in the quarter to Septem-

Quaker Oats tried to play down concern over the figures Snapple's annual sales had grown from \$40m to \$600m in four years, it said, and it was not unusual for a company growing that quickly to hit a few bumps along the road. In this case, inventory build-ups had slowed factory shipments, merchandising costs were up, and competition caused iced tea sales to be lower than

Yet Snapple's potential diffi-culties cannot be ignored. One danger is that "good-for-you" beverages could be just a fad; but much the larger threat is that the mighty Coca-Cola and

PensiCo - acutely aware of the fact that their colas are losing market share to alternative drinks - will phinder the market for "new age" beverages and squeeze Snapple till the

pips squeak.

Tha warning signs are already there. PepsiCo, in a joint venture with Unilever's Thomas J. Lipton tea company, has launched Lipton iced tea and Coca-Cola, in a joint venture with Nestle of Switzer.

land, has launched Nestea: In March this year Coca-Cola introduced its own range of "new age" fruit drinks, such as Raspherry Psychic Lemonade and Grape Beyond, and PepsiCo has launched a range of lemonade drinks called Ocean Spray.

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eanwhile, Getorade is also under siege. Coca-Cola is attack ing its market with a sports drink called Powerade and PepsiCo with All Sport. Ominously, Quaker Oats suffered a slump in net profits to \$61.4m from \$91.4m m the quarter to September, partly because it had to spend more on market-ing to defend Gatorade from competition.

Quaker Oats has acknowledged that the Snapple acquisition would dilute earnings per share by 45 cents to 55 cents in the year to June 1996. It has also said the deal would not begin to benefit the bottom line until the year to June 1998. If the share price is down, it is because some investors wonder whether even that could turn

## Metall Mining to shut down smelter for three years

By Bernard Simon in Toronto

Matall Mining, the international copper producer until recently controlled by Germany's Metailgesellscbaft, plans to close its Copper Range smelter in Micbigan next spring for about three years.

The Toronto-based company vesterday put a brave face on the shutdown and various changes in mining practices at Coppar Range which have dented productivity. The changes coincide with proposed modifications to the smelter required by tighter environmental standards.

Mr Klaus Zeitler, Metall chief executive, said that the mining changes would have a detrimental effect on earnings for the rest of this year, but in the long-term it will have a highly beneficial effect". Metall's share price dipped

by 75 cents to C\$12 in early trading on the Toronto stock The Copper Range news

oversbadowed an overall improvement in third-quarter

performance, caused by rising

metal prices and higher investment income. Third-quarter earnings were

C36.1m (US\$4.49m) or 7 cents a share, compared with a C\$5.9m loss, equal to 9 cents a share, a year earlier. Revenues climbed to CS208.5m from CS44.5m, largely

as a result of last year's acquisition from Metallgesellschaft of a 35 per cent stake in Norddeutsche Affinerie, the European copper smelter.

Copper Range's cathode output fell to 22.6m Ibs from 24.8m lbs, due to lower grades and

copper grades slid by more than 10 per cent during the quarter as a result of difficult mining conditions, and a decision to stop second-pass mining. Cash operating costs aver-

aged US\$1.05 a lb, up from 78

cents in 1993.

productivity. Metall said that

The suspension of secondpass, or pillar, mining, is designed to ensure stabla rock conditions for solution mining, which is expected to be introduced in tandem with the

smelter modifications. Metall has reached an agreeBay Mining to process Copper "Brewerie Range concentrates for 33 months, starting next March.

Dr Zeitler said that Metall was keen to acouire another large copper mining project. Its interest was focused on South America. It suffered a setback recently with a failed bid for the Tintaya copper project in Peru. But Teck Corporation, in which Metall is a minority shareholder, unveiled plans yesterday for a final feasibility study of the large Petaquilla deposit in Panama.

#### NOTICE OF REDEMPTION CITY OF VIENNA

USD 75,000,000 8% Notes 1986/96

1994 USD 15.000.000 principal amount of said 9% Notes due November 14, 1996. Serial numbers of drawn Notes to be redeemed are set forth below on groups from one number to another number, both inclusive:

19	•	28	2519	•	2528	5019	-	5028	7519	•	<b>752</b> 8	10019	•	10028	12519	•	12528
69	•	78	2569	-	2579	5069	•	5078	7569	-	7578	10069	-	10078	12569		12578
119		129	2919	-	2628	5119	•	5128	7619	-	7628	10118		10128	12819	•	12629
169	-	178	2669	-	2678	5169		5178	7669	•	7678	10169	-	10178	12669		12678
219		228	2719		2729	5219		5228	7719	•	7728	10219	•	10228	12719		12728
269		279	2789		2778	5269		5278	7769	-	7778	10269		10278	12769		12778
319		329	2919		2828	5319		5328	7819		7828	10319		10328	12819		12828
369		378	2869		2978	5369		5378	7869		7878	10369		10378	12869		12878
419		428	2819		2928	5419	-	5428	7919		7929	10419		10428	12819		12929
469		478	2969		2978	5469		5478	7969	_	7978	10469		10479	12969	_	12979
519		528	3019		3028	5519		5528	8019		8028	10519		10528	13019	Ε.	13029
569		578	3069		3079	5569		5578	8089		8078	10569	_	10578	13069	ū	13078
919		628	3119		9129	5619		5628	9119		9128	10619		10628	13119		13128
669		878	3169		3178	5669		5878	9168		9178	10669		10678	13169	Ĭ.	13179
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1069		1078	3569		3579	6069		6078	8569	:	8578	11069	-	11078	13569	-	
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1569		1578	4069		4079	6569		6578	9089		9078	11569	1	11578	14069	:	14078
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1969		1978	4489		4479	6969		6978	9489		9478	11969		11978	14469	•	14429
2019		2028	4519		4529	7019	_	7028	9519		. 9528	12019	-	12028	14519	:	14479
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2119	-	2128	4619		4628	7119	_	7128	9612		9628	12119	ū	12128	14919	•	14578 14629
2169	_	2178	4869	-	4678	7169	_	7178	9669		9678	12169		12178	14669		14679
2219	-	2228	4719	-	4728	7219	-	7228	9719		9729	12219		12228	14719	-	14079
2269	_	2278	4769		4778	7269	-	7278	9763		9778	12269		12278	14769	-	14778
2319	-	2328	4619	-	4828	7319	-	7328	9819		9828	12319		12328	14819	-	14829
2369	-	2378	4869	-	4878	7369	-	7378	9869		9878	12369		12378	14869	-	14878
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sill coupons maturing after the date fixed for redemption, at the office of the Paying Agents as shown on the Notes.

Votes should be surrendered for payment together with all unmatured coupons, appertaining thereto, failing which the face amount of the missing unmatured coupons will be deducted from the principal amount due for payment.



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#### CITIC Telecommunications Limited

(Incorporated in the Cayman Islands with limited liability)

Warrants entitling the holders to purchase ordinary shares of HK\$0.50 each in Hong Kong Telecommunications Limited expiring on 10th February, 1995 ("Warrants")

#### ANNOUNCEMENT

The directors of CITIC Telecommunications Limited are aware that the register of members of Hong Kong Telecommunications Limited ("HK Telecom") will be closed from (Hong Kong time) 5th December, 1994 to 9th December, 1994, both days inclusive, (the "Book Close Period") for the purpose of determining the entitlements to HK Telecom's interim dividend of HK\$0.269 per HK Telecom ordinary share for the year ended 31st March, 1995. Holders of the Warrants are reminded that according to the terms and conditions of the Warrants, the right to exercise the Warrants shall be suspended if the Exercise Date (as defined in the conditions endorsed on the Warrant certificates ("Conditions")) shall fall less than 10 Business Days (as defined in the Conditions) prior to the first day of the period during which the register of members of HK Telecom is closed or during the Book Close Period

Accordingly if an Exercise Date relating to the exercise of any Warrants shall fall within the period from 22nd November, 1994 to 9th December, 1994, such Exercise Date shall be postponed until the first Busioess Day after the expiry of such period.

Holders of the Warrants are further reminded that according to the terms and conditions of the Warrants, holders of Bearer Warrants who have delivered duly completed Exercise Notice (as defined in the Conditions) containing payment instruction for the Exercise Price (as defined in the Conditions) and Exercise Expenses (as defined in the Conditions) to Euroclear or Cedel not later than 10:00 a.m. on 21st November, 1994 (Brussels time or Luxemburg time, as the case may be) and registered holders of Registered Warrants who have delivered duly completed Exercise Notice, logether with the Warrant certificate(s) and payment for the Exercise Price and Exercise Expenses to Central Registration Hong Kong Limited, the Registrar, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 10:00 a.m. on 21st November, 1994 (Hong Kong time) will be registered as a shareholder of HK Telecom before the register of members of HK Telecom closes and will qualify for the proposed interim dividend of HK Telecom.

Each Warrant entitles the holder thereof to purchase one ordinary share of HK\$0.50 of HK Telecom at the Exercise Price or, at the option of CITIC Telecommunications Limited, to be paid the cash equivalent of the then closing price of such shares in HK Telecom on the Business Day before the relevant Exercise Date.

> By order of the Board Amy Wong Hing Hung Secretary

Hong Kong. 5th November, 1994



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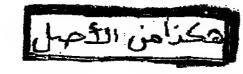
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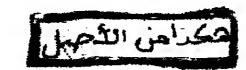
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#### INTERNATIONAL COMPANIES AND FINANCE

## US operations help News Corp rise 15%

By Bruce Jacques In Sydney

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Richard Tombe

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News Corporation, Mr Rupert Murdoch's international media group, has begun the financial year with a solid rise in net aarnings following strong results from the company's film and television operations in the US.

News Corp yesterday announced a 15 per cent rise in net profit to A\$301m (US\$232m) in the three months to end-September, from A\$262m a year ago, on a 7.6 per cent increase in operating revenue to A\$2.99bn from A\$2.78bn.

A 43 per cent rise in earnings from associated companies and a lower net interest bill also helped earnings. However, Australian and UK newspaper interests were flat. Most of its earnings came

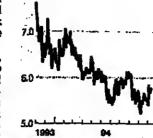
income rose to A\$283m from A\$248m. Directors said profits from Twentieth Century Fox films had doubled in the quarter following successful releases such as Speed and True Lies. Results from the Fox television station group were also up strongly.

Magazine and inserts results,

where operating income rose to AS74m from A\$70m benefited from higher pricing and advertising revenues. But earnings from the HarperCollins book publishing operation eased to A\$65m from A\$76m, reflecting weaker results from the San Francisco group.

Operating income from UK operations fell to A\$55m from A\$75m, with directors citing the impact of The Times news-paper's price cut in June. "Circulation at The Times now from the US, where operating stands at 607,143, an increase

News Corporation Share price (A\$)



of more than 37 per cent versus a year ago," they said.
"At The Sun, circulation remains in excess of 4m copies following a 2p cover-price rise on August 22. On the advertis-

improving advertising market and higher circulation levels."

Directors said BSkyB, the company's 50 per cent owned satellite broadcasting subsidlary (in which Pearson, owner of the Financial Times, has a stake), achieved a significant increase in operating profit, with total subscribers exceeding 3.6m.

The company's Australia and Pacific Basin region saw the biggest segmental earnings fall, with operating income down to A\$40m from A\$89m. Directors said revenue gains had been offset by higher depreciation charges due to plant modernisation.

Star TV, the 64 per cent owned satellite broadcasting subsidiary, incurred a loss. Ansett, the 50 per cent owned Australian airline, con**NEWS DIGEST** 

tinued to increase earnings,

and with BSkyB, lifted the con-

tribution from associated com-

panies to A\$106m from A\$74m.

income fell by 5.8 per cent to

A\$388m from A\$412m, mainly

reflecting last year's sale of the

South China Morning Post and

unfavourable exchange rates.

However, currency changes

also contributed to a fall in

interest expense to A\$154m

Tax provisions took A\$47m

compared with A\$39m. This

excludes a A\$3m abnormal

profit, compared with a A\$16m

US operations contributed

the higgest share of group rev-

enues, up to A\$2.2bn from

A\$1.93bn. UK revenues eased

to A\$469m from A\$471m and

Australian revenues were

profitability. The company suf-

fered an average cut in drug

from A\$173m.

loss previously.

News Corp's direct operating

#### WestLB studies reorganisation of investment side

Westdeutsche Landesbank Girozentrale, the German regional bank, is considering reorganising its investment banking activities in London, Reuter reports from Dusseldorf. However, the bank said it had not yet made definite decisions.

"We are thinking about our investment bank activities in London," the bank said. It declined to confirm reports that it planned to move its non-DM bond issuing business to London from Dusseldorf.

"We are not interested in encouraging speculation against the background of an ongoing review [of WestLB's activities]," the bank said. Last month, Deutsche Bank, Germany's largest commercial bank, decided to put all its international investment banking activities in the UK capital, combining its activities with those of Morgan Grenfell, the UK merchant bank.

#### Sales to SA telecoms help lift Reunert 18%

Reunert, the South African technology group, has posted an 18 per cent increase in pre-tax profit, to R304m (\$87m) from R257.9m for the year to September, helped by increased sales to South African parastatals Eskom and Tel-kom, writes Mark Suzman in Johannesburg,

Turnover, which for the first time includes brand names Panasonic, Nashua and Airomatic, rose 48 per cent to R3.5bn from R2.4bn. At the same time, an 8 per cent drop in the minority share of profit, to R40.5m from R44m, helped attributable profit surge 39 per cent to R150.54m from R108.2m.

A final dividend of 19.5 cents has been declared, bringing the total for the year up 15 per cent to 27 cents compared with 23.4 cents.

#### China Airlines hit by private competition

China Airlines, Taiwan's flagship carrier, said sales in the first nine months fell 1 per cent compared with last year, to T\$32.22bn (US\$1.2bm), AP-DJ reports from Taipel.

The airline faces strong competition from Taiwan's first privately-owned international

carrier, Eva Airways. CA's Japan and Hong Kong routes account for a large portion of

## **Nedcor boosts net**

income 24% to R603m

Share price (rand) 30 28 W 1994

Nedcor, the South African financial services group, has put in a solid performance for the year ended in Septembar, raising net income 24 per cent to R603m from R486m pre viously, writes Mark Suzman. While interest income rose by only 10 per cent to R7bn from R6.4bn, a 16 per cent rice in non-interest rev enue, to R1.37bn from

R1.17hn, combined with a rise in expenses of only 9 per cent, to R4.97bn from R4.57bn, boosted total income to R3.4bn from R2.9bn.

Taxation rose 13 per cent to R363m from R320m, while a final dividend of 95 cents was declared, up 23 per cent from last year's 77 cents. The bad debt provision dropped 2 per cent to R277m from R282m.

#### Indonesian bank surges in first nine months

Bank Umum Nasional, the Indonesian bank, said unaudited after-tax profit for the first nine months this year rose 164 per cent to Rp39.11bn (\$18m) from Rp14.82bn a year ear lier, on a 16 per cent rise in revenue, AP-DJ reports from Jakarta. It attributed the sharp rise to a slower rate of increase in interest burdens, up only 6 per cent to Rp285.06bn.

Meanwhile, PT Lippo Bank, the banking arm of the diversified Lippo group, said its after-tax profit for the third quarter ended September 30 was Rp16.5bn, up 60 per cent.

#### **Tiger Oats improves**

Tiger Oats, South Africa's largest agricultural goods and foods supplier, attributed a 10 per cent gain in pre-tax profit, to R661.8m (\$189.3m) in the year to September 30 from R599.7m in 1993, to restructuring and better cash management, AP-DJ reports from Johan-

## Japanese drugs groups withstand price cuts

By Emiko Terazono

in Tokyo

Cost-cutting and strong sales of highmargin urugs offsat the Pharmaceuticals effects of weak overall sales growth to support earnings at leading Japanese pharmaceuticals companies for the first six months to Septem-

Although average drug prices were marked down by 6.6 per cent across the industry in April, after the ministry of health and welfare cut prescription drug prices, there was a sharp rise in sales the same month as customers, who had held back orders, rushed to take advantage of lower

Profits were further supported by a sharp rise in sales the full year to next March, the 0.2 per cent increase in of vitamin drinks, helped by an company expects recurring ring profits to Y54.5hn.

Interim results to September 1994 (Ybn) Change on year (%) **Year (%)** Takeda 283.5 +0.5 21.2 Yamanouchi 136,3 16.0 4.5 +6.1 29.5 12.2 +5.1 -6.7 +0.9 Shionogi 1133 11.0 105.7 \_\_ 20.0 "Defore authordinary lines and has Source: Company reports

unusually hot summer. Takeda Chemical said healthy sales of vitamin tablets boosted profits. Profitability at its pharmaceutical division. where sales rose 0.8 per cent, weakened due to drug price cuts and growing research and devalopment costs. However, the healthcare products division benefited from strong sales of vitamin drinks to show a sales rise of 8.8 per cent. For

profits to fall 0.2 per cent to Y77bn (\$793.8m) on a 1.5 per cent rise in sales to Y570bn

Yamanoochi Pharmaceutical saw strong sales of its stomach ulcer remedy Gastar, although sales of its interferon drug suffered from price cuts. The company will raise its interim divi-dend payment to Y8 per share from last interim's Y65. For the full year, it expects sales to rise 2 per cent to Y265bn on a 0.2 per cent increase in recur-

Fujisawa Pharmaceutical saw firm drug sales, while profits were supported by a cut in research and development costs. After-tax profit rose sharply dua to decreased appraisal losses on shares of its subsidiary, and smaller corporate tax payments. Annual sales are expected to fall 1.2 per cent to Y232hm, while current profits are expected to rise

10.3 per cent to Y22bn. Shionogi said a fall in drug sales and interest revenue hurt

prices of 4.8 per cent, while sales of its mainstay antibiotics were weak. For the full year to March, Shionogi +13.8 +2.1 expects a 1.4 per cent drop in +148.B sales, to Y227bn, on an 11 per -13.3 cent fall in recurring profits to +3.3 Daiichi Pharmaceutical attributed an earnings rise to strong sales of its anti-hacterial agents. Cost cutting also

> cent to Y210bn and current profits to increase 0.5 per cent to Y38.5bn. Sankyo, which will report its earnings today, is expected to see solid profits growth, attributable to strong sales of its anti-cholesterol drug. However. revenues are expected to have suffered because of decreased sales of drugs made by Sandoz,

the Swiss drug company.

belped. The company expects

full-year sales to rise 1.2 per

## SA Breweries advances 21%

By Mark Suzman in Johannesburg

South African Breweries, the country's largest industrial company, recorded a 21 per cent rise in attributable profit, to R342m (\$97.8m) for the six months to September, compared with R283m for the same period a year ago. The figure was broadly in line with market expectations.

An improvement in South African consumer confidence duced an overall 14 per cent rise in turnover to R12.9bu, up from R11.4bn previously.

Tax paid rose to R949m from

R765m, while net financing costs dropped slightly to R241m from R249m a year ago. The interim dividend was lifted 21 per cent to 47 cents from 39 cents. Meanwhile, cash flow rose sharply to Ribn, well up on last year's R272m. The group attributed this to of its tight management of working

The beer division, which conline, achieved earnings growth of 21 per cent. Meanwhile, the group's other interests, including Lion Match, Plate Glass

largest brewery.

trading profit rose 19 per cent Sbatterprufe Industries and to R1.15bn from R971m. Sbatterprufe Industries and Afcol, showed a combined 20 per cent rise in earnings. SAB has has reached conditional agreement with China Resources Enterprise, the Hong Kong-listed subsidiary of the PRC state-owned China Resources Holding, to form a joint venture that will hold CRE's existing 55 per cent con-trolling interest in the Shen-yang Brewery, China's second

SAB will pay \$25m through wide, which holds the group's international beverage activitles, to participate in the joint

# Future Prospects. Present Profits.

## Cable & Wireless results for 6 months to 30th September 1994

- Turnover up by 9% to £2.5bn.
- Operating profit up by 17% to £592m.
- Profit before tax up by 11% to £567m.
- EPS up by 7% to 11.9p.
- Recommended interim dividend per share up by 9% to 2.83p.



Cable and Wireless plc, 124 Theobalds Road, London WC1X 8RX, United Kingdom.

Interim dividend of 2.83p payable 28th February 1995 to Shateholders on the Register at 22nd December 1994. If you have any enquiries as a Cable & Wireless Shareholder, please call us on +44-71-315-4455. A copy of the Interim Report will be posted to Shareholders on 16th November 1994.

## Casino group in Sydney listing

By Bruce Jacques

Casinos Austria, the European casino operator, announced plans to raise A\$64.5m through a listing on the Australian Stock

The company will offer a 45 per cent interest in a company called Casinos Austria international (CAI) as part of a plan for further expansion in the

CAI will control the equity investments, management con-

tracts and development rights of Casinos Austria's operations outside Europe. These include the operation or management of three Australian casinos, in Canberra and Cairns, and on Christmas Island.

Casino's Austria, which will retain a 55 per cent interest in the Australian group, operates 55 land and 21 shipboard casinos, with a further nine con-

tracted for operation.

dent, Dr Leo Wallner, said yes-terday the group would usa

for axpansion in the Pacific The Australian company also

holds options to participate in several of the parent'e expanding casino operations, including projects in the US and Canada and on cruise ships operating from Greece.

CAI is projecting an incr revenua to A\$71.5m (US\$53.8m) for 1995 from A\$61.4m this year. A A\$10.9m pre-tax profit has been forecast for 1995.

FannieMae \$400,000,000 8.625% Debentures interest payabla on May 10, 1995 and semiannually thereafter. Series SM-2004-L Cusip No. 31359C BA2 Callable on or after November 10, 1999 Price 99.984375% The debentures of November 10, 2004 are redeemable on or after November 10, 1999. The debentures are redeemable in whole or in part at the option of the Corporation at any time (and from time to time) on or after the initial redemption date at a redemption price of 100% of the principal amount redeemed, plus accrued interest thereon to the date of redemption. The debentures are the obligations of the Federal National Montgage Association, a corporation organized and existing under the laws of the United States, and are issued the authority contained in Section 304(b) of the Federal National Montgage Association Charter Act (12 U.S.C. 1716 et seq.). The debentures, together with any interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than Fannie Mae.

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The McKinsey report says:

We believe we are...at a mid-

point of a 50-year process in ... s fundamental transfor-

mation of bow the world's

economy works." The GDR

looks set to play an important

part in the globalisation of

Growth of GDR market

1 Goldman Sachs

2 Jardine Reming 3 CSFB

5 Morgan Stanley S BZW

7 Baring Brothers S Banco Roberts 9 Benque Paribas

10 Lehman Brothers

Merrill Lynch

1S Deutsche Bank

14 JP Morgan

19 Smith Barner

20 S.G. Warburg

21 Peregrine Capital 22 Croshy Securities 23 Benque Indosuez

24 Banamex Accivit 25 N.M. Rothschild

26 Lucky Securities

29 Drescher Bank

17 Citicorp 15 Daiwa

## Four years of explosive growth for GDRs

India leads the way as emerging markets embrace the global depositary receipt, reports Martin Brice

The global depositary receipt, a financial instrument with bumble beginnings, has been pushed into the spotlight by the increasing globalisation of equity markets and a steep increase in demand for capital from companies in the emerging markets of Latin America, Asia and eastern Europe. Since its birth with the first

bumble \$40m issue in 1990, the GDR market has experienced rapid growth. Issues to date this year exceed \$5.5bn. an increase by a factor of 137 since 1990. Growth has outpaced that of the international bond markets, where issuance doubled to \$481bn between 1990 and 1998

Growth has been particularly rapid in India, where use of the depositary receipt mechanism allows international investors to circumvent the 45-day settlement period on the Bombay Stock Exchange.

The sttraction of ease of settlement is likely to lead to a further spurt in growth of the GDR market as Russian companies seek international capital. Using local stock exchanges to raise the money needed for investment and modernisation would be impos-

Already Kleinwort Benson, the UK merchant bank, is planning a multi-billion GDR when Gasprom of Russia, the world's biggest gas company, sells a 9 per cent stake to international

investors next year. As well as ease of settlement. use of a GDR allows international investors access to equity markets which would

Jardine Fleming, the UK-based investment bank, has constructed a \$250m issue for Benpres, the largest broad-casting group in the Philippines, to allow foreigners to own GDRs but not the underlying shares, because there are restrictions on foreigners holding media shares in the Philip-

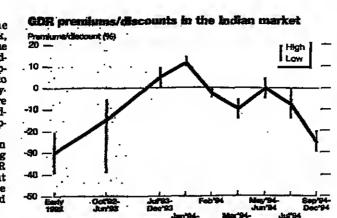
One of the leading banks in the sector, Jardine Fleming also recently arranged a GDR for an Indian company that uses wind power to produce electricity, which was heralded as the first "green" GDR.

More generally, growth in the GDR market is partly a flection of the globalisation of the world's equity markets, as investors in mature economies seek opportunities in emerging markets and as companies in those markets seek international capital.

This trend is noted in a recent report\* on the global capital market by McKinsey Global Institute, the manage-ment consultants. The report says: "There will be a coincidence of needs between the high savings of the developed world that will be seeking high returns and the abundance of high-return investment oppor tunities in the developing world that will require external capital and know-how."

This coincidence of needs has come to a head in India, where the government has embarked on a process of liberalisation of foreign trade and

The GDR has been used by Indian companies to raise more said.



The year started well for

Indian GDRs, with about a

dozen issues in January and

February. They were well received, with international

investors paying a premium of

about 11 per cent for the depos-

itary receipt over the underly-

However, sentiment deterio-

rated in February, partly because yields on US Treasury

bonds rose. International

investors began to sell their

GDRs, which fell to a discount

of about 5 per cent to the

As the price of GDRs fell, the

discount deepened to around 15

per cent as international inves-

tors began to put funds aside

for the sale in May of Videsb

Sancbar Nigam (VSNL), the

state-controlled international

telecommunications monopoly.

The Indian government post-

poned that sale, which it had

hoped would bring in \$1bn.

ing shares.

underlying shares

than \$2.2bn so far this year, making India the biggest GDR market in the world. By the end of this year, almost \$2.5bn in GDR issues will have come from India. Last year the total was less than \$900m.

ince the first Indian GDR was issued in 1992, 50 Indian companies have \$11bn raised from GDR issues. Mr Ian Hannam, a director of Jardine Fleming, believes India has many attractions over other emerging markets. "The real attractions are the existence of a middle class the size of the entire USA, and a recognised legal and accounting

The absence of a legal framework for the ownership of assets is a problem for the Europe, but not for India, he

framework for the ownership

VSNL and global co-ordinators Kleinwort Benson of the UK and Salomon Brothers of the US, was too high. The postponement was

regarded at the time as India's biggest setback in the international capital markets since Indian issuers first raised

the right to buy shares at s fixed price in the future. Warrants were often used to make an offer more attractive, since they could be priced more cheaply than existing shares. The end of warrants is likely to mean e two-tier market

emerging for indian GDRs. nies like Bajaj Auto, whose issue was priced at a premium to the underlying share, are likely to find an enthusiastic welcome, second-line companles are likely to struggle.

However, with more than 20 permissions given by the Indian government for fundraising issues of \$100m currently outstanding, the GDR has an active future.

At least one London merchant bank is believed to be finance telecom projects in India, which is likely to remain the biggest market for GDRs.

that the price, set by the government in consultation with

Meanwhile, the Indian government's recent announcement that it is changing the rules for companies issuing GDRs may mean the market is about to enter a new phase. India has ended the use of warrants, which give investors

believe some investment bankers. Whereas blue-chip compabankers believe.

equity markets. looking at using GDRs to \* The Global Capital Market: Supply, Demand, Pricing and Allocation; McKinsey Global Institute, Washington DC.

# CBoT to assist Poland with new futures exchange

By Laurie Morse in Chicago

The Chicago Board of Trade will today sign an agreement with Polish officials to help establish a new futures exchange in Warsaw. The Chicago exchange has promised to contribute its expertise in market development in return for unspecified fees and 15 per cent ownership of the new

Although US futures exchanges have informally assisted emerging markets for years, this is the first time one has commanded an ownership stake in a new venture.

The CBoT's agreement is with a foundation led by the Polish government agency for agricultural markets and Rolimpex, a Polish agribusiness concern.

Mr Patrick Arbor, the CBoT's chairman, said the agreement was the first of a series of innovative international business arrangements his exchange expects to make. The membership equity gained from the Warsaw

exchange "will provide addi-

firms," Mr Arbor said. Polish officials see the cre ation of a commodities

exchange as an important step in the transition to a free market economy. They expect wheat to be the first commodity traded there.

tional trading opportunities for

our members and member

However, futures trading may be a long way off for the country, which first needs to develop a free primary market for grain, and a legal frame work for a futures market. Mr Fred Grede, the CBoT's

senior vice president in charge of operations and planning acknowledges the difficulties that face the venture. "One of the key questions is how to create s properly functioning cash market," he said. He added that his exchange plans to use the expertise of its membership to help develop the

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underlying systems needed to support futures trading. Goldman Sachs initiated the talks between the CBoT and Poland, and intends to continue to serve as an adviser and consultant on the project.

#### Chemical Bank unit in Liffe joint venture

By Richard Lapper

Seagray Fosh Futures, an independent UK futures and options broker, is to set up a 50-50 joint venture with with Chemical Futures & Options (UK), a subsidiary of Chemical Bank of the US.

The new company, SGF Chemical Futures and Options, will deal in both futures and options on Liffe, taking advantage of Seagray's position as s eader in the exchange traded options market in London. It will make also use CF&O's

existing expertise in clearing and settlement, providing a "one stop service" for both execution and clearing of trades. The new venture is keen to ncrease its presence in the futures market and also hopes

to be better placed to meet

increased demand from bedge funds, many of which want s combined execution and clearing service, said Mr Matthew Fosh, a director and co-founder of Seagray. Unlike bank traders, hedge

funds generally buy clearing services from third parties, explained Mr Fosh. Seagray, which employs a team of 25, was set up by Mr.

Fosh and Mr James Campbell-Gray, an independent trader on Liffe since its inauguration. Mr Fosh previously worked at stockbrokers Strauss Turnbuil and then Sheppards.

CF&O was set up in April 1990 to complement Chemical Futures & Options Inc's Chicago and Philadelphia operations and help capture the global growth in exchangetraded derivatives.

## Share surrogate that is easy to trade and settle

Depositary receipts have enjoyed such success because they can make buying and selling equity in a company easier for international investors than buying and selling the shares on a local stock exchange, writes Martin Brice.

 The depositary receipt represents ownership of shares which remain in safe-keeping with a bank in the issuer's home market, often either Bank of New York or Citibank. The receipt itself may be traded elsewhere.

 Dividend payments are usually in US dollars, and voting rights are usually the same as for the underlying stock. • There is little technical difference between a global depositary receipt (GDR) and an American depositary receipt (ADR), although depositary receipts listed in the US tend to be called ADRs while GDRs are often listed elsewhere - for instance in Luxembourg and increasingly in London.

• The first ADR was issued in 1927, but the first GDR came only four years ago. The forthcoming listing by TeleWest, the UK cable television and telecommunications company on the US exchange Nasdaq will be called an ADR, but may be bought by any international investor; the recent issue by Bajaj Anto, the the Indian scooter

maker, was listed in London and called a GDR.

 When investors buy and sell GDRs. settlement may be through Cedel, Euroclear or DTC, the US settlement system. Issuing s GDR would cost a company around \$100,000. A depositary receipt offered and listed in the US would cost a company up to \$1m, of which about

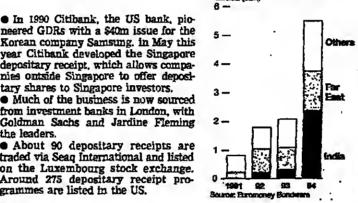
half would go on lawyers' fees.

GDRs and the shares they represent are traded independently. Where there are barriers to international investors accessing the local stock market, the GDR may fetch a lower or higher price than the shares in the home market.

● In 1990 Citibank, the US bank, pioneered GDRs with a \$40m issue for the Korean company Samsung. in May this year Citibank developed the Singapore depositary receipt, which allows companies outside Singapore to offer depositary shares to Singapore investors. Much of the business is now sourced from investment banks in London, with

· About 90 depositary receipts are traded via Seaq International and listed on the Luxembourg stock exchange. Around 275 depositary receipt programmes are listed in the US.

the leaders.



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UCOM or 215-496-1457.

THE EMERCING MARKETS STRATEGIC FUND Societé d'Investigances à Capital Variable 2, houlevard Royal, Laurenbourg P.C. LUXEMBOURG B-28252 NOTICE

Will be held at the offices of Banque Laternationale & Laurenbourg, 69, room d'Esch, L-1470 g on November 25, 1994, at 2.30 mm. The main unbyces to deliberate on, are the possib

As the Articles of Incorporation her deliberate on the following agends:

est chance of shares. Article 11

Acticle 16 Actually, the Constact exchange in Actually, the Corporation may invest in recentives admitted to official lineage on a recognises stock exchange in any State member of the OECD, Anta, Octobria, the American continuous and Africa. It is proposed to colour this list so as to include also the States member of Parage.

Accuracy II.

Amendment of the first paragraph so as to specify that Starts may be reducated on each
Lith and hat entended day of each musts, provided that any orderaption request is to be given
by at least Lit days pairs at motive, to the date on which the reduception shall be applicable.
Partition were, it total reduception requests on one exceleration base exceed 10% of the total as
sents of the Corporation, the Board of Directors may rether such stud request to 10%. Any
reduception request so reduced shall be effected by princips so of the next Reduception Date.

Amendment of the 1st comments to an exceeding request to the reduception to the sects of the Corporation, the Board of Direction may rethick such total request to 10%. Any reducation request to reduced that the efficient by painting us of the near Reducaption Date.

- Amendment of the Zad passgraph so as to provide for payment of the redemption price so have then garge bossness days after the applicable Valuation Date.

- Adding of a new paragraph providing for the possibility of convention of "Distribution of Shares" and "Capitalization Shares" and vice-versa.

Amendment of the cut-property.
 Amendment of the 2nd purgraph so us to evidence the explanate of two different purples.

Article 23

at of the lat puragraph and adding of a new one, evidencing the difference in the

is order to smead the smetting of THE BMERGING MARKETS STRATEGIC PUND, the owness of bears sharer will have to deposit their abares five clear days before the meeting at the registered office of the company or with Banque Internationale & Lexensburgs, 69, rout d'Esch, L-1470

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The Republic of Panama US\$417.402.000 Floating rate serial notes 1996-2002

7.J25% per annum for the . interest period 10 Novem payable on 10 May 1995 will be US\$35.82 per US\$1,000 note. Agent: Morgan Guaranty Trust Company

**JPMorgan** 

NOTICE OF PARTIAL REDEMPTION **Macienal Financiera**, S.M.C., Trest Bivision as Trustee of the Nafin Finance Trust Guaranteed Floating Rate Rotes Due 1997 CUSIP No. 629718-AA5\*

NOTICE IS HEREBY GIVEN, pursuant to the Indenture dated as of December 15, 1992 under which the above described Notes were issued that Nacional Financiera, S.N.C., Trust Division, as Trustee of the Nafin Finance Trust will redeem on December 15, 1994, 14.61772923545% of the Outstanding Principal Amount of the Notes, amounting to \$11,510,000.00 on a pro rate basis in accordance with their respective Outstanding Principal Amounts. The amount of principal to be paid with respect to each \$10,000 principal is \$575.50.

On December 15, 1994, there will become due and payable on each Note the above amount, together with interest accrued to December 15, 1994. On and after such date interest will cease to accrue on the Notes (or portion thereof so Payment of the redemption amount plus accrued interest on Bearer Notes

will be made upon presentation and surrender of the appropriate coupon to one of the Paying Agents listed below: Chibank, N.A. Citibank (Lanembourg) S.A.

336 The Strand London, WC2R 1HB 16 Avenue Marie-Therese Grand Duchy of Linembourg

Cithank, N.A., as Note Trustee Vovember 10, 1994

"This CUSIP number has been assigned by Standard & Poor's Corporation and is included solely for the conversionce of the holders. Neither the Issuer nor the Note Trustee thall be responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness on the Notes or as indicated in this notice.

As of January 1, 1993, withholding of 31% of grees proceeds of any interest payment made within the United States may be required by the Internal Revenue Code of 1986, as amended by the Energy Policy Act of 1992, unless the Paying Agent has the correct taxpayer identification number (social security or employer identification oumber) or exemption certificate of the Payee. Please furnish a properly completed form W-9 or exemption certificate or equivalent when presenting your securities.

#### NOTICE TO THE WARRANTHOLDERS OF Q.P. Corporation (the "Company")

U.S.\$150,000,000

3.5 per cent. Bonds with Warrants 1994

Pursuant to Clause 3 of the Instrument dated 15th December, 1989 (the "Instrument") relating to the above captioned Warrant notice is hereby given as follows: In accordance with the resolutions of the Board of Directors of the

Company authorised a free distribution of common stock to be made to shareholders of record at 30th November, 1994 at the rate of one new share to each ten shares held.

As a result of the above distribution, the Exercise Price has been adjusted pursuant to Clause 3 of the Instrument as set forth below:

Exercise Price before adjustment: Exercise Price after adjustment: Effective date of adjustment: 1st Dec

¥1,679,20 ember, 1994 (Japan time) Q.P. Corporation By: The Sumitomo Bank, Limited aa Fiscal Agent

Citicorp Banking Corporation U.S. \$250,000,000

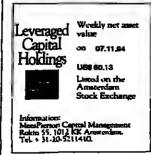
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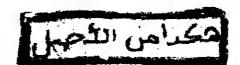




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FINANCIAL TIMES THURSDAY NOVEMBER 10 1994

#### INTERNATIONAL CAPITAL MARKETS

## Treasuries rise on heels of dollar rally

By Lisa Bransten in New York and Conner Middelmann In London

US Treasury prices rose on the heels of a rally in the dollar yesterday morning as traders sorted through the impact of strong Republican gains in Tuesday's mid-term elections and prepared for the afternoon auction of 10-year notes.

By midday, the benchmark 30-year government bond was up 1 at 931, yielding 8.088 per cent. At the short end, the twoyear note was up 1 at 99% to vield 6.994 per cent.

News that Republicans will control both houses of the US legislature pushed the value of the dollar up more than two pfennigs against the D-Mark to DM1.5273 and to Y97.73 against the Japanese yen. The dollar recovery helps bonds because recent weakness in the currency has deterred investors from buying US instruments such as government securities.

Gains by the dollar also contributed to the rise in bond prices by boosting optimism about demand for the 10-year notes to be auctioned later in the afternoon.

The reaction of the bond markets was somewhat restrained, bowever, as investors waited for the increase in interest rates expected to come from next Tuesday's meeting of the Federal Reserve's open market committee.

Most analysts expect a 50 basis point increase that would bring the Federal funds target to 5% per cent, but some are predicting the Fed might push the target as high as 5% per cent

Traders were also waiting for today's report from the government on the producer price index. Analysts expect a 0.1 rise in the index for October. but worry that a much greater increase could provoke an early or large increase in interest rates by the Fed.

were swept up by strength in the US market and closed near their day's highs. However, they shed some of their gains in after-hours trading as Treasuries began to come off their

highs. Ahead of next week's FOMC meeting, European markets are expected to continue

#### GOVERNMENT BONDS

closely tracking US developments, with today's release of October producer prices expected to be keenly watched.

■ German hunds rose by more than ¼ point, buoyed by the rally in US Treasuries and the smooth auction of another large chunk of the government's latest 10-year bond. The December bund future on DTB rose 0.58 to 89.98.

bonds at 99.82 and above. The weighted average Issue price was 99.84, with an average yield of 7.52 per cent.

Market participants today will be watching the meeting of the Bundeshank's policymaking central bank council. although most dealers said they were not expecting a change in official interest rates, nor a return to a system of variable-rate securities repurchase agreements.

■ UK gilts followed US and European bond markets higher, with the December gilt futures contract rising by & to

Most of the gains were in the futures market, however, with dealers reporting very little investor participation. Apart from awaiting the FOMC meeting, dealers are also looking to next week's raft of UK economic indicators, including The Bundesbank sold retail prices and jobs data.

European government bonds DM3.99bn of the 7.5 per cent French bonds slightly outperformed bunds, causing their yield premium over the German 10-year benchmark to fall

to 69 from 71 basis points. However, political uncertainty and intra-party bickering in the right-wing camp ahead of the Presidential elections in May are likely to continue weighing on bonds in coming months, causing them to under perform bunds, said Mr Adrian Owens, European economist at Yamaichi.

"There's only one way that spread will go," he said, adding he expects the yield gap to widen to around 90 hasis points by year-end.

■ Italian bonds also rose sharply, buoyed by strength in other markets, the breach of key technical resistance on the BTP futnres contract and recent calm on the political front. The December BTP future on Liffe rose 0.68 to

## EIB follows sterling issue with L400bn deal

BNL

By Richard Lapper and Martin Brice

Following its £200m issue on Tuesday, the European Investment Bank launched a L400bn bond, led by BNL, BCI and Cariplo and fungible with an outstanding L500bn BNL said the deal met strong

INTERNATIONAL BONDS

demand from institutional and retail investors in Italy and the Benelux countries.

There were a number of issues at the short end of the dollar sector, again following recent trends. A \$250m two-year bond, issued by SBC Finance Cayman Islands, a financing company owned hy

SBC, and priced at 8 basis points above the equivalent US Treasury, was well received according to SBC, which led the issue, with strong demand from Swiss institutional and retail investors.

Merrill Lynch also saw good demand from European investors for its \$100m floating-rate note issue, paying a coupon of 20 basis points over three-month Libor. The FRN was the second by Merrill this year.

European, Asian and Latin American investors were attracted by a \$65m three-year issue by Credibanco, a Brazilian bank, priced at 430 basis points over the equivalent Treasury and led by Paribas.

The issue was planned before the Brazilian government's recent decision to increase the tax on eurobond issues from 3 rate Series 1994A, a special-

#### **NEW INTERNATIONAL BOND ISSUES** Spread Book runner US DOLLARS Hemispheres Funding Corp.; SBC Finance Coymen Islands Merrill Lynch & Co.; Credibanco 0.30R - Goldman Sache Intl 0.125R +8 (67:3%-98) SBC (c) - Meriil Lynch Intl 1.00R +450(7%-96-97) Paribes Cap. Miss. 99.70R Dec.2001 0.30A 4.75

Final terms and non-calloble unless stated. The yield spread (over relevent government bond) at isunch is supplied by the lead reneared. Sconvertible, dylvith equity warrants, (Floating rate note, Sconvertible, dylvith extenses, b) Fungible with extenting thresholds clear + 20 days account intenses, c) Coupon pays 3 month tibor + 20bp, Fees undeclosed.

7.625 96.195 Nov.1996 1.126

say the tax increase is unlikely to dissuade new issuers, and point to a number of banks lining up sizeable deals over the next two to three weeks.

ITALIAN LIRE

European Investment Bankloi

400bn

Hemispheric Funding Corpo-

per cent to 7 per cent. Dealers purpose funding vehicle. launched \$300m of floating rate notes. The issue, led by Goldman Sachs, is guaranteed by Capital Markets Assurance Corporation, a US financial guarantee insurance company which enjoys a triple A rating.

Riectricité de France made a rare appearance in the euromarkets with a Y30bn deal with a 4% per cent coupon via Nomura, which said the deal met strong demand in Tokyo, with very few bonds placed in Europe.

## Lawsuits may force ruling on interest rate futures

Two large commercial end-users of derivatives, Gibson Greetings Company and Ohio-based Procter and Gamble, are suing their long-time financial adviser, saying in separate cases that Bankers Trust failed to disclose fully the risks and terms of interest rate swaps that turned into significant loss-makers when US rates turned higher early this

This by now is old news. However, the cases have the potential to be landmarks in the debate over derivatives regulation for at least two rea-

First, if the suits are not settled and progress to trial, the world will be treated to its first intimate glimpse of how the massiva private bank market in swaps really operates.

In spite of numerous authoritative studies of over-thecounter derivatives markets during the past 18 months. none has actually dissected the mechanics of an individual trade nor described the confidential courtship and consumating exchanges that occur between counterparties.

investment banks, who serve as adviser, designer and counterparty in these tailored trades, and often also calculate the price base for the cash streams they generate, may as an industry find themselves uncomfortable with the detailed disclosure the judicial fact-finding process requires.

Swaps dealers contend that they act in the best interest of their clients, and value the long-term relationship. However, potential conflicts of interest can only be highlighted by the discovery pro-

Second, both Proctar and Gamble and Gibson Greetings have brought their suits to the federal courts under the antifraud and anti-manipulation

Exchange Act, the body of law that governs US futures and options on futures.

To be successful in this pursuit, the companies will have to prove that the interest rate swaps in question are futures, and as such, are subject to oversight by the Commodity Futures Trading Commission, the US futures regulator.

Many derivatives players sniff at this strategy, saying it is generally accepted that OTC swaps are not futures. The

#### DERIVATIVES

CFTC contributed to this perception in 1992, when it exempted OTC swaps transactions from most of its oversight authority. In fact, US law has no clear definition of what a "future" is, and the CFTC avoided the issue when granting its swaps exemption.

US law does require that anything judged a futures con-tract be traded on a listed exchange. Thus, as the swaps industry developed, it hung at the edge of legitimacy. If a disgruntled counterparty sned, and proved in court that a swap was a future, the contract could immediately be deemed illegal, because it was traded off-exchange.

The CFTC's 1992 exemption lifted that judicial jeopardy, effectively saying: "If a swap is found to be a future, it doesn't have to be exchange-traded to be legal." However, that swap would still have to comply with the agency's anti-fraud

Ms Mary Schapiro, the CFTC's new chairperson, may actually be supporting a new view that swaps could be futures, hy saying she wants to review the suitability requiremants for institutional counterparties that is cur-

provisions of the Commodity rently contained in the exemption. She is also considering creating an office within her agency that deals solely with OTC derivatives, and reports

directly to her. Further, she has indicated that she would like to write stand-alone anti-fraud provisions for swaps, since the existing ones for listed futures do not transfer sensibly to OTC markets.

Ms Schapiro, who has bi-par-tisan support in Washington and comes to the CFTC from a seat on the Securities and Exchange Commission, may in fact be jockeying to fill in a regulatory void in Washington. The older and larger SEC only has jurisdiction over swaps that can be proved to have securities components, while the CFTC can govern swaps only if they can be proved to be futures, which to date has

not happened. Taking a leadership role and assuming the OTC derivatives turf for her agency might be a politically astute move for Ms Schapiro, who, unlike her predecessors, enjoys unusual support from the SEC. In doing so, she is aware she will have to shed ber agency's reputation as a limp regulator.

Industry attorneys point out that the recent spate of derivatives lawsuits in itself proves an industry contention that additional regulation is not needed for swaps: that big, sophisticated companies entering into derivatives contracts have the resources to fight out their disagreements through the courts, and do not need special government protection.
"I can't think of any federal

regulation that could have been written that would have kept Procter and Gamble from losing what it alleges it lost," says one Washington lawyer.

Laurie Morse

	WORLD BOND PRICES	20 Table - 448	
	BENCHMARK GOVERNMENT BONDS Red Day's Week Month	Italy  NOTIONAL ITALIAN GOVT, BOND (BTP) FUTURES	FT-ACTUARIES FIXED INTEREST INDICES Price Indices Wed Day's Tue Acquied and edj. — Low coupon yield — — Medium coupon yield — — High coupon yield —
	Coupon Date Price change Yield ago ego  Australia 8,000 09/04 88,7800 40,080 10,70 10,58 10,20	(LIFFE)* Line 200m 100ths of 100%  Open Sett price Change High Low Est voi Open int.	Unt Calitas Nov 8 change 16 Nov 8 Interest yets Nov 8 Nov 8 Yr, ago Nov 9 Nov 8 Yr, ag
	Belgium 7,750 10/04 96.2500 40.690 8,32 8.56 8.45 Canada 6,500 08/04 83.3500 40.460 9,15 9.22 9,00	Dec 100.48 101.17 +0.82 101.37 100.46 42903 48935 Mar 86.40 100.01 +0.79 100.13 98.40 478 8832	2 6-15 years (23) 138.96 +0.50 138.26 1.51 11.49 15 yrs 8.51 8.58 7.06 8.84 8.72 7.19 8.88 8.95 7.39 3 Over 15 years (29) 155.82 +0.68 154.76 2.40 18.87 20 yrs 8.48 8.54 7.17 8.64 8.72 7.24 8.79 8.86 7.41
	Denmerk 7.000 12/04 87.2500 +0.430 8.97 9.04 8.94 France BTAN 9.000 06/96 101.3750 +0.250 7.50 7.66 7.48 OAT 5.500 04/04 82/7600 +0.640 8.18 8.39 8.11	■ [TALIAN GOVT, BOND (STP) FUTURES OPTIONS (LFFF) Line200m 100ms of 100%	4 Introductriables (6) 174,84 +0.47 174,12 0.38 13.47 Inted.† 8.57 8.81 7.29 5 All stocks (51) 136,41 +0.44 135.61 1.70 10.83
	Germany Treu 7.500 09/04 99.8600 +0.640 7.51 7.69 7.58 tally 8.500 09/04 81.7900 +0.560 11.681 11.80 11.75	Strike	Indian 10% — Inflation 10% — Inflation 10% — Inflation 10% — Nov 9 Nov 9 Yr. ago Nov 8 Nov 8 Yr. ago
	Japon No 118 4.800 06/98 102/7380 - 4.15 4.06 4.18 Japon No 164 4.100 12/03 95/7150 -0.120 4.78 4.09 4.78 Nothwriands 7.250 10/04 97/92/00 -4.680 7.55 7.69 7.52	Pitca Dec Mar Dec Mar 10100 0.81 1.83 0.64 2.90 10160 0.55 1.72 0.86 3.21	8 Up to 5 years (2) 185.89 +0.01 185.88 0.52 5.07 Up to 5 yrs 4.08 4.07 2.35 2.98 2.95 1.56 7 Over 5 years (11) 173.51 +0.15 173.34 5.67 4.36 Over 5 yrs 3.87 3.88 3.16 3.89 3.89 2.98
	Spein 8,000 05/04 11.31 11.09 UK Gib: 8,000 06/99 90-11 +8/32 8,60 8,83 8,42	10200 S.35 1.53 1.18 3.50 Est, vol. stell, Calle 2273 P.es. 2002, Provious day's open Int., Calle 2568 P.m. 31262	8 All stocks (13) 173.92 +0.09 179.76 0.92 4.41
	8,750 11,04 87-18 415/32 8,62 8,74 8,59 9,000 10,08 103-06 +17/32 8,50 8,70 8,59		9 Debs 8 Loans (77) 127,74 +0.86 126.88 2.40 9.57 B.66 9.74 7.72 8.61 9.69 8.14 8.67 B.65 8.29
•	US Treesury 7250 08/04 95-10 +14/32 7.85 7.95 7.88 7.500 11/24 93-13 +20/32 8.09 8.09 7.89 95/10 (French Govt) 5.000 04/04 83.6700 +0.510 8.58 8.78 8.60	Spain	Average gross reclamption yields are shown above. Coupon Bende: Low; 0%-7%%; Medium: 8%-10%%; High: 11% and over, † Flat yield, yet Year to date.
	London closing. "How York reld-day  1 Gross finclading withholding but at 12.5 per cent payable by nonresidence	MOTIONAL SPANISH BOND FUTURES (MEFF) Nov S	FT FIXED INTEREST INDICES GILT EDGED ACTIVITY INDICES
	Prices: US, UK in Stands, others in doctreal Source: MASS PREMISSIONAL US INTEREST RATES	Open Sett price Change High Low Est. vol. Open Int. Dec 88.1S 86.19 +0.08 86.18 85.87 26.948 77.818	Nov 9 Nov 8 Nov 7 Nov 4 Nov 3 Yr ago High* Low* Nov 8 Nov 7 Nov 4 Nov 3 Nov 2
	Linchtefree Treasury Bills and Bond Yields  One angels 5.77 Two year 4.99  Prince pade 774 Two month 5.78 Three pade 7.34		Govt. Secs. (URC) 91:39 90:89 81:04 91:89 91:45 102:58 197:04 89:54 68t Edged bergeins 90.4 79:6 86:2 76:3 87:3 Fixed interest 107:89 107:59 108:01 107:84 107:62 123:28 133:87 108:50 5-day average 82:0 81:8 81:7 79:0 80:0
	Priorie rade	UK	tor 1994 Government Securices high since compiletion; 127,40 (9/1/75), low 49.16 (5/1/75), Found Interset high since compiletion; 135,67 (21/1/64), low 60.53 (3/1/76), Basic 100; Covernment Securities 15/10; 25 and Pavol Interset 1925, SE activity Indices released 1974.
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	BOND FUTURES AND OPTIONS	Dec   101-05   101-15   +0-18   101-23   101-04   58517   109632   Mar   100-19   100-25   +0-17   100-27   100-18   1050   82	FT/ISMA INTERNATIONAL BOND SERVICE
	France  NOTIONAL FRENCH BOND PUTURES MATIF	E LONG GILT FUTURES OPTIONS (LIFFE) 250,000 64ths of 100%	Listed are the latest intermedial bounds for which shere is an adequate secondary market. Latest prices at 7:00 pm on November B Issued Bid Offer Chg. Yield Issued Bid Offer Chg. Yield Issued Bid Offer Chg. Yield Issued Bid Offer Chg.
	Open Sett price Change High Low Est, vol. Open Int.	Strike CALLS PUTS PUTS Mar	U.S. DOLLAR STRAKS1758  United Kingdom 7 <sup>1</sup> s 97
	Dec 110.25 110.75 +0.70 110.96 110.20 197,982 133.808 May 109.40 109.94 +0.70 110.94 109.40 758 12.953 hp 109.56 109.10 +0.70 100.19 108.56 82 3.090	101 1-06 1-63 0-32 2-13 102 0-36 1-34 0-62 2-46	Absorts Province 7's 95 1000 95% 95% 44 8.00 World Burk 0 15 2000 20% 21 4% 7.85 8elech Land 8% 23 E 160 85% 85% 41% 10.27  Austria 6½ 00 400 101% 100 4% 8.09 World Burk 5% 08 3000 86% 86% 4% 7.76 Dommer 6% 08 E 800 86% 85% 4% 8.78
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	III LONG TERM FRENCH BOND OPTIONS (MATTF)		
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	110 1.1S 1.72 - 0.38 1.82 2.70 111 0.51 - 0.78 -	M ECU BOND FUTURES (MATIF)  Open Set orice Change High Low Est, vol. Open int.	Crims 하는 Grid - 1000 88% 84% 4년 4년 8.30 EBS 6% 04 - 300 105% 105% 105% 105% 1012 - 100 1012 - 100 107% 107% 14% 8.46 Crist Forner 11% 95 - 300 105% 105% 105% 105% 105% 105% 105% 10
	112 0.21 0.85 - 1.46	Dec 80.16 80.72 +0.64 80.65 80.19 4,224 6,752	Dorment 5-1 <sub>6</sub> 85
	Est. vol. total, Cafe 25,292 Puts 47,032 . Provious day's open int., Cafe 296,424 Puts 385,277.	us	ESSC 8 <sup>1</sup> x 95     189     101 ½     7.55     Kotas 6 <sup>1</sup> y 10     240     103½     104½     5.65     YCNZ Fin 9 <sup>1</sup> y 02 NZ5     75     86 <sup>1</sup> y 97½     13     8.83       ESS 7 <sup>1</sup> x 95     100     101½     7.35     Ontain 0 ½     35     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½     100½
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Analysts trim forecasts as 13% profits growth disappoints City

## Amersham restricted to £19.6m

A disappointing performance in Japan and continantal Europe limited first half profits growth at Amersham Interna-

The health science group lifted pre-tax profits for the six months to September 30 by 13 per cent to £19.6m (£17.4m) on sales up 6 per cent at £163.1m (£153.7m).

Mr Bill Castell, chief executive, acknowledged that the results were at the low end of analysts' expectations. The chare price fell 63p to 928p. He said that the sluggishness

of life sciences, the company's largest division, had been caused by bureaucratic delays in government funding of research, especially in Japan and France. Research laboratories are among Amersham's

Life sciences' operating prof-

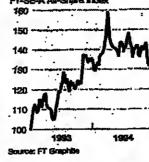
its were £15.3m (£15.6m) on turnover of £74.4m (£72.4m). The industrial division involved in industrial quality and safety assurance, also disappointed. A changing product line had added to costs without adding to sales, said Mr Castell. Operating profits dropped from £2.9m to £1.3m.

The best performing division

was healthcare. Operating profits rose to £5.5m (£1.5m) thanks to the performance of new products - Metastron, for cancer pain, and Myoview for imaging the heart. Turnover grew from £54.7m to £62.3m. Mr Castell said that the healthcare division would remain the "major profits driver in the near term".

Earnings per share were 12 per cent higher at 20.8p (18.6p)

Share price relative to the FT-SE-A All-Share Index



is raised from 4.4p to 4.9p.

Amersham had the highest ple in the UK health sector - 20.6 until yesterday's results. The rating was based on prospects

operations, there were losses of

£6.72m from disposals, closures and goodwill and other

restructuring costs of £3.48m.

Mr Richard Mansell-Jones

chairman, said: "The restruct-

uring of the group is mostly

done and we have fully pro-

vided for everything we can

the potentially lucrative field of cancer treatment. However, doctors and drug regulators are conservative folk. Approvals are slow in coming and huyers must be persuaded to change their prescribing habits. Add to that uncertainty over research spending in both public and private sectors as costs remain under ecrutiny. and it is just as well that analysts' forecasts have now been trimmed. Pre-tax profits for the full year are likely to fall well short of £50m, with earnings per share just making it to 50p. Profits are forecast to grow at 20 per cent next year, giving roughly £57m pre-tax and earnings of 60p. The 1995-96 pro-spective p/e of 15.5 is still close to the top of the sector. Amersham remains a long-term growth stock, but investors should brace themselves for

## off board's franchise warnings

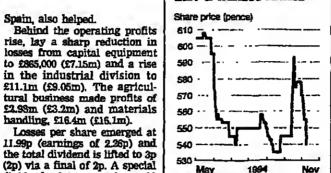
The board of Barr & Wallace Arnold Trust, whose voting shareholders are split by a family feud, yesterday warned that the motor side of the group could lose its distribu-

tioo franchises The board said that two car manufacturers had threatened to terminate franchises if rebel shareholders vote down its proposals to enfranchise the non-voting A shares. These shares, owned almost entirely by institutions, yesterday fel 21p to 263p, while the ordi-nary voting shares closed 15p

The motor distribution division is expected to account for 70 per cent of the leisure and motor group's profits this

The family feud broke out

last month when Nicholas and Barr & Wallace Arnold



Source: FT Graphite Robert Barr asked their nucle. Mr Malcolm Barr, to step down as chairman of the group. The hrothers, who claim majority support among voting shareholders, bave also requisitioned an EGM to unseat Mr John Parker, chief executive, and Mr Brian

Small, finance director. They say they can unlock shareholder value by splitting the group's two divisions into stand-alone businesses.

However, the board has called another EGM to vote on enfranchisement on November 25, one week before the rebels' EGM. Enfranchisement would redoce family control from about 55 to 18 per cent. The board seems likely to

lose both EGM votes after Mr Kerry Firth, a Barnsley-based ssman with 16 per cent of the ordinary shares, reaffirmed his support for the rebels yesterday. Mr Firth, who was asked by

the board to referee a meeting with the Barr brothers this week, said: "Whatever support the board may have had from me in the past, they will not get in the future. The company has underperformed under the present

chairman. That is why there is discomfort among shareholders and why they are giving their votes to the brothers." Attempts to hold a meeting between Malcolm Barr and his nephews broke down on Tues-

dence from the car manufac-Nicholas Barr yesterday condemned the warnings over the distribution franchises. This is a blatant attempt hy the board to safeguard its own position et the expense of

shareholders," he said.

day in a row over correspon-

the industry generally. "We believe we are pulling away,"

The shares, placed at 140p, rose 6p yesterday to 181p. Operating profits at the core Yates's Wine Lodges, which now comprise 36 outlets, rose 30 per cent to £2.91m on sales up 24 per cent at £16.5m. The group, which also has 15 other outlets, is opening three fur-

target of a 5 per cent return on the wholesale business and

hand returns

#### for Metastron, a drug which promises to take the company est customers. In addition, more short-term weakness. and the interim dividend Bibby falls £10.7m into the red

Bibby & Sons. conglomerate, yeaterday reported a tumble into pre-tax losses for the year to September 24, after exceptional

However, the shares rose 10p to 70p as operating profits rose from £21.1m to £29.6m. Bibby, which is 79 per cent owned by Barlow of Sonth Africa, announced pre-tax losses of £10.7m (£7.07m prof-

its) on turnover down at

Lloyd's of London yesterday created a last minute hitch for

a new underwriting company

anning a stock market list-

ing when its ruling council

failed to agree fresh rules for

corporate investment in the

insurance market, writes

Wellington Underwriting,

which had announced plans to

invest in seven Lloyd's syndi-

cates run hy the Wellington

managing agency, is due to

complete arrangements this

week for placing 30m shares at

It had been awaiting Lloyd's

approval, originally expected

last Friday, for arrangements

to allow existing corporate

vehicles to invest in others.

Last minute

Wellington

snag for

Ralph Atkins.

£764.6m, compared with

Exceptional charges totalled £30.6m, relating to the £41.7m disposal in May of the agricultural feeds business to Associated British Foods, and the cost of restructuring what is now the industrial division. The feeds business contrib-

nted turnover of £2.95m (£3.39m), and there were losses of £20.4m from its disposal, the closure of operations and good-

Interest charges were Losses per share emerged at reduced to £10m (£14.1m). Bor-11.99p (earnings of 2.26p) and the total dividend is lifted to 3p rowings fell to £82.1m (£122.8m) (20) via a final of 2p. A special after the sale of the feeds business and a building in Spain. dividend of 2p was also paid Lower rates, especially in

## Glaxo fends off attack on patents for Zantac

By Daniel Green

Glaxo, the drug company, has fended off one of several attacks on patents protecting its biggest selling drug, Zantac, for ulcer treatment.

This increases the chances that Zantac will not have competition from generic rivals for a year beyond the expiry of one of the drug's patents at the end of 1995. Zantac's US sales are running at about \$2,2hn

(£1.34bn) a year. A US district court has rebuffed an application by Novopharm, the Canadian generics maker, that part of a Glazo suit for patent infringement against Novopharm be

rejected. The decision means Glaxo's case goes ahead as

sion of Zantac would cost between 30 and 50 per cent less

'optimistic".

taken a step towards launching generic version of Zantac based on the later petent. That step is a type of approval from the US Food and Drug Administration called a conditional Abbreviated New Drug Appli-

possible if Novopharm secured a reversal of last year's lower court decision upholding Zantac's 2002 patent. The case is

## **COMMERCIAL UNION** NINE MONTHS' RESULTS

## Profits increase to £305m

- ★ Operating profit before taxation increased by £165m to £305m, with a further strong performance in the United Kingdom.
- ★ Life profits increased by 8% to £94m.
- ★ General insurance trading conditions remain favourable in major markets.
- ★ The acquisition of Groupe Victoire in France took place during October. Results will be consolidated in the fourth quarter.

	9 months 1994 Unaudited	9 months 1993 Unaudited
Total premium income	£4,503m	£4,488m
Operating profit before taxation	£305m	£140m
Operating profit after taxation	£234m	£124m
Profit attributable to shareholders (note)	£283m	£236m
Operating profit per share	39.7p	20.7p
Shareholders' funds	£2,112m	£2,314m

Note: The profit attributable to shareholders includes realised investment gains after taxation of £49m (1993 £112m).

Commercial Union plc, St. Helen's, 1 Undershaft, London EC3P 3DQ

#### The first patents on Zantac expire in December 1995, and the 30-month delay from the patent suit filing should protect the drug from competition until late 1996.

Mr Leslie Dan, Novopharm chief executive, said yesterday if he had secured a partial dismissal of Glaro's case, his case to have the 30-month period cut by the court would have been much stronger. Novopharm said that its generic ver-

Novopharm is also challeng-

ing the validity of a second patent on Zantac, which expires in 2002. Mr Dan said challenges to both patents will continue and that he remained

to £865,000 (£7.15m) and a rise

£11.1m (£9.05m). The agricul-

tural business made profits of £2.98m (£3.2m) and materials

handling, £16.4m (£16.1m).

Separately, Novopharm has

Early launch would only be with the US court of appeals.

## Barrs shrug | Mercury faces cost cuts as profits fall by £3m

By Paul Taylor

The substantial restructuring programme at Mercury Comday by Cable & Wireless is part of a package of measures designed to prepare the UK telecommunications company for increased market competition in the second half of the

Although Lord Young of Graffham, Cable & Wireless chairman, declined to elaborate on the scale of the job cuts at Mercury, the unions believe that up to 10 per cent of Mercury's 11,400 jobs could go. City analysis believe that the

job reductions needed to reposition the company could be even higher. Yesterday some were pencilling in charges of up to £50m to cover the cost of reorganisation and suggesting that the result could be annual savings of about £40m.

The need for cost reductions of this scale was highlighted by a £3m fall in Mercury's first half operating profits to £96m.

revealed in C&W's interim results yesterday - although the group insisted the pro-gramme had been under consideration for several months.

The profit decline at Mer-cury, which largely reflects competitive and regulatory factors, was a surprise to analysts and overshadowed the 11 per cent rise in C&W's pre-tax

Solid growth in call volumes and a 50 per cent increase in customer lines was not matched by profit improve-ment, which Lord Young and other senior executives said was mainly because it had been hit harder than expected by regulatory changes. In particular Mr James Ross,

C&W's chief executive, said the company estimated that the net effect of regulatory measures - including a double price cut imposed on British Telecommunications by Oftel, the regulatory authority, and substantially higher Access Deficit Charges - will reduce Mercury's profits by £100m in

between £25m and £80m in a more normal year. Mr Mike Harris, the former Mercury chief executive who has been moved as part of a cenior management reshuffle to head a C&W group development division, said a review under way by Offel is expected to alter the system of ADCs which rival operators pay to

Lord Young emphasized that Mercury was being repositioned to face the growing com-petition in the UK telecommu-

As part of this process Mr Duncan Lewis, who was in charge of C&W's US operations and director of the group's over as Mercury's chief executive. He will announce details of the cost cuts and job reduc tions at Mercury within the next month. At the same time Mercury's structure is being reorganised into services and networks divisions

## Yates Wine Lodges up 51% and sees sales expansion

By David Blackwell

Yates Brothers Wine Lodges, the independent drinks group which gained a full listing in July, yesterday announced interim profits ahead by more than 50 per cent.

Pre-tax profits for the 26 weeks to September 25 increased from £1.41m to £2.13m. Total sales rose to £24.5m from £22m last time, when discontinued operations contributed £425,000.

Mr Peter Dickson, managing director and great-grandson of Mr Peter Yates, the founder, said that since the end of the first half, like-for-like sales were almost 9 per cent ahead

ther Wine Lodges next month. Sales in the wholesale side

declined by 5 per cent to £5.88m as the group carried out its strategy of switching from secondary to direct wholesale. Operating profits were ahead from £82,000 to £98,000.

Universal Wines and Spirits. which supplies drinks in light weight packaging to the airline industry. In August, Yates issued 16,760 shares to acquire the 25 per cent of Universal that it did not already own. The division made profits of just £2,000 on sales of £2.16m. Net borrowings fell from £7.68m to £499,000 following the £10m placing. The group expects its continuing expansion to lift borrowings to £3m by the year end. Earnings were 4.2p (3p). The interim dividend is 1p - in line

## Placing expected to value Hydro at more than £10m

Hydro International is coming to the market via a placing that will value the company, which makes control systems for storm water control and sewage separation, at between £10m and £11.5m.

The company, based in Clevedon, Avon, utilises "vortex technology", the principles of which have been known since Roman times. The vortex, or whirlpool, effect is harnessed to regulate fluid flow.

product ranges: flow control valves for flood protection and storm control and hydrodynamic separators for separating solids from liquids, especially in the treatment of sewage and other waste water. All are patented and low-cost. Hydro expects recent envi-

The company has two main

ronmental legislation in Europe and the US, which has specified big cuts in pollutant discharge, to increase capital works in its markets. The company is raising

expansion and the development of new markets. The directors are retaining between 60 and 65 per cent of the equity.

about 23.7m, of which 2570,000

will go to existing sharehold-ers. The balance is for research

and development, international

The board is forecasting pretax profits of £480,000 for the year to December 31. In 1993 it made £156,000 on turno 24.1m, and in the six months to June 30, profits were £154,000 on turnover of £2.4m.

## Positive reception for two trusts

By Bethan Hutton

Two investment trusts raising capital to invest in emerging markets have had e positive reception from institutional

Murray Johnstone's new Murray Emerging Economies Trust has raised more than

A public offer for another 19.4m shares at 100p (with warrants attached on a 1-for-5 basis) opened yesterday and

announced yesterday that applications in the institutional placing of C shares in its Emerging Markets trust would

closes on November 29. Foreign & Colonial public offer closing on Novem-

for nearly £100m-worth of shares, but the placing was capped at £85m. Applications will be scaled back pro-rata.

A further 30m C shares at 100p are available through a

ber 14. Existing ordinary

shares in the trust are trading

at a 7 per cent premium.

## Ingham falls to £853,000 after provision

Ingham, the York-hased motor parts, worsted spinning and property group, reported a 42 per cent fall in pre-tax profits, from £1.47m to £853,000, for the six months to end September.
Turnover was slightly ahead at £13.9m

The result included the provision for an exceptional edministrative expense of 2210,000. This was in respect of potential compensation payable to Mr Nicholas McMahon Turner, the former chief executive, for loss of office. Profits before tax and interest slipped in

division, but more than doubled for the group's spinning company, in spite of a steady rise in wool prices. Earnings per share were down from 7.1p to 3.2p, with the interim dividend

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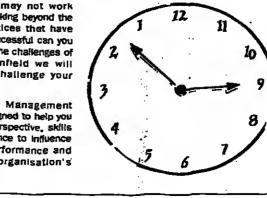
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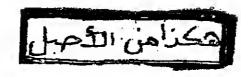
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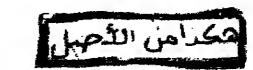
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## Electrocomponents improves 14% to £35m

By Paul Taylor

Electrocomponents, electronic, electrical and mechanical components distribntion group, yesterday announced a 14 per cent increase in interim pre-tax profits, from £31.1m to £35.5m. Mr Roy Cotterill, chairman

said: "Our increased market presence coupled with the new marketing programmes and other initiatives introduced during the last 12 months continua to generate strong growth in both sales and prof-

Turnover from continuing operations grew by 18 per cent to £216.6m (£183.1m) in the six months to September 30; operating profits increased by 15 per cent to £34.3m (£29.7m).

Earnings per share rose by 14 per cent to 11.2p (9.8p) and, as part of a rebalancing process, the interim dividend is lifted to 3.25p (2.5p). Turnover in the UK-based RS Components business rose by

13 per cent reflecting continuing sales initiatives and increased market share. As expected, RS's UK margins were slightly lower due to higher selling and marketing

New products, particularly mechanical products which are

Share price relative to the FT-SE-A Alf-Share Index

1993 Source: FT Graphite

now featured in a dedicated catalogue for the mechanical engineer, were one reason for the sales growth. Mr Robert Lawson, chief executive, said the introduction of a CD-Rom catalogue in July had exceeded 35,000 disks being issued to

RS International sales increased by 42 per cent, helped by the group's greater penetration of overseas mar-kets, particularly those in continental Europe.

Radiospares Components in France continued to show strong growth, while a significant advance was achieved in Germany. The Italian

of hudget and axpected to schieve profitability as planned within 12 months. Meanwhile, Pact International increased its sales by 7

per cent and incurred a reduced loss in the seasonally weaker first half. The group ended the period with net cash of £65.5m (£57.4m at end-March).

Electrocomponents continues

COMMENT

to produce the sound results expected of it. Net margins will remain under pressure in the second half as marketing costs continue to iocrease - but the group has proved itself adept at spotting and exploiting new domestic market opportunities ahead of the competition. Having developed and proved new concepts, such as the CD-Rom catalogue and trade counters in the UK, the group's strategy is to take them overseas and grow the international business. Pre-tax profits should reach about £83m this year, producing earnings of just over 26p. The shares, which gained 1p yesterday to 472p, are still trading well below their 12month peak of 585p, reached in January. It deserves the premium rating represented by a

prospective p/e of 18.

#### Decline at Hambro Insurance

COMPANY NEWS: UK

of mergers and acquisi-

tions arouse as much

scorn as fascination on

the part of the financial advis-

Investment banks - espe-

cially those disappointed with

completed and failed, the

report goes back nearly 10

years to the magazine's foun-

SG Warburg heads the list,

putting recent losses on trad-ing and disappointing interim

results into perspective. Hoy-

lake's abortive £13bn bid for

BAT Industries in 1969 was the

largest of £65.5bn of bids in

which Warburg was involved.

Morgan Grenfell and Schro-

ders emerge as the other pre-

eminent takeover advisers of

the decade. Morgan Grenfell

has had its downs: the Guin-

ness affair damaged the firm's

reputation, and this year has

been quiet. But the house.

owned by and growing closer

ers they measure.

arhitrary.

dation in 1985.

By Richard Wolffe

Hambro Insprance Services Group yesterday blamed low levels of insurance claims for the continued poor perfor-mance of its loss adjosting subsidiary and a decline in group profits.

Mr Nicholas Page, managing director, said: "The volume of claims has declined and I am boping that it has bottomed out. Pressure on volumes translates into pressure on fees, particularly in the UK." The shares closed down 9p

lower than the placing price of 138p when the groop was floated in June last year. It reported pre-tax profits of £3.05m (£3.25m) on turnover up 20 per cent to £40.2m (£33.4m) in the six months to

at 105p yesterday, 24 per cent

Cunningbam, the loss adjusting division, reported pre-tax losses of £432,000 (£372,000 profits). Earnings per share fell to 2.94p (3.05p) but the interim

dividend is again 1.85p. The company yesterday annonnced a joint venture with Morden & Helwig of the US to create a worldwide loss adjusting and claims

management network, called

Cunningham Lindsey Interna-

to Deutsche Bank, bas been uarterly league tables adviser to one side or the other in more bids than any other: 226 to Warburg's 198. I think it absolutely demonstrates that we dealt with the Guinness situation and put it behind us," said Mr Guy Dawson, a director of Morgan Grenfell.

A new perspective on rankings

Nicholas Denton looks at a revamped league table of M&A advisers

their standing - complain that all they provide is a snapshot, Goldman Sachs comes in as and a blurred one at that A the highest placed US investsiogle deal can upturn the ment bank. UK competitors rankings and the criteria caution that Goldman achieved its position by taking mainly including a transaction can be subsidiary roles in a few large Next week however Acquisideals. But the US house's spetions Monthly, the leading compiler of M&A data in the ciality of bid defence has paid off. Rivals admit Goldman has UK, will publish a league table made inroads and the firm is less vulnerable to dispute. Covering public takeovers, both increasingly acting as lead

Calculating the volume of deals is controversial enough, but Acquisitions Monthly has ventured into even more dangerous territory by producing figures on financial advisers' success rate in hostile bids.

Few conclusions can be drawn, bowever, from what remain small samples. Nevertheless traditional reputations. Warburg's for defence and Morgan Grenfell's for attack, are borne out. Schroders and Goldman Sachs also stand out as effective defenders of hostile bid targets, with Schroders helping to fend off challenges in 59 per cent of the cases in which it was involved.

Morgan Grenfell and NM

FINANCIAL ADVISERS ON UK PUBLIC TAKEOVERS JANUARY 1985 - SEPTEMBER 1994 No of defences SG Warburg (2") Morgan Grenfell (1) Schroders (4) Goldman Sachs (-) Lazard Brothers (14) Kleinwort Benson (3)

185 128 37,424 28.819 NM Rothschild (6) 103 Hambros Bank (10) Semuel Montagu (11) · 1985 rarking. This table is based on completed and failed UK public interest

ber 1994 and only includes those advisors acting on 20 or more the

Rothschild offset apparently worse than average records in defence with the strongest performances of the top 10 in advising aggressors. "We have a very high hit rate," said Mr Russell Edey, head of corporate finance at NM Rothschild. The pair's clients managed to take over target companies more than half of the time.

azard Brothers, by contrast, is recorded as havhostile bids on which it advised the aggressor. "You have to be terrihly careful about what constitutes success," warned Mr John Dear, head of corporate finance. "We are never afraid of advising a client that he should walk

away rather than pay a silly turn out to be the loser in the long run."

That is just one of several flaws remarked upon in Acquisition Monthly's findings. One bid, that by Hoylake which failed, catapulted Warburg into first place. Most important perhaps, public takeover activity has declined since the 1980s and represents only a small part of investment banking. One banker damns the league table with faint praise: "It is an As long as compilers produce

interesting historical record." M&A league tables, investment bankers will gripe, no matter how broad the timespan. And they will continue to pore over

#### Ugland returns to the black with £1.28m

Shares in Ugland International yesterday rose 5p to 125p as the ship owner, manager and dry dock operator swimg into the hlack with interim pre-tax profits of £1.28m, against a £780,000

A new management team has been in place since last October at the company, for-merly known as Bristol Channel Ship Repairers. The Ugland family bolds a 30 per cent

Trading in the shares resumed last November at 108p following a three-month sus-pension during which the company was reorganised.

In the six months to September 30, turnover jumped to £13.4m (£4m) following an improved performance from the shipping interests and the April acquisition of Gerrards

Rederi in Norway. Earnings per share were 4.13p (6.96p losses) and a dividend of 1.65p (nil) is declared.

Mr Andreas Ugland, executive chairman, said last year's £19m rights issue and the addition of eight ships from the Gerrards acquisition - which brought the total to 18 - had given the company a good base to increase profits. Gerrards contributed £868,000 to the pretax figure.

Swansea Dry Docks, the ship repair business, fall to a £340.000 loss, on sales of £1.36m, owing to stiff competition. However, a second dry dock was opened in July and bookings had picked up after an intensive marketing cam-

Net borrowings stood at £10.2m at the end of September, giving gearing of 45 per

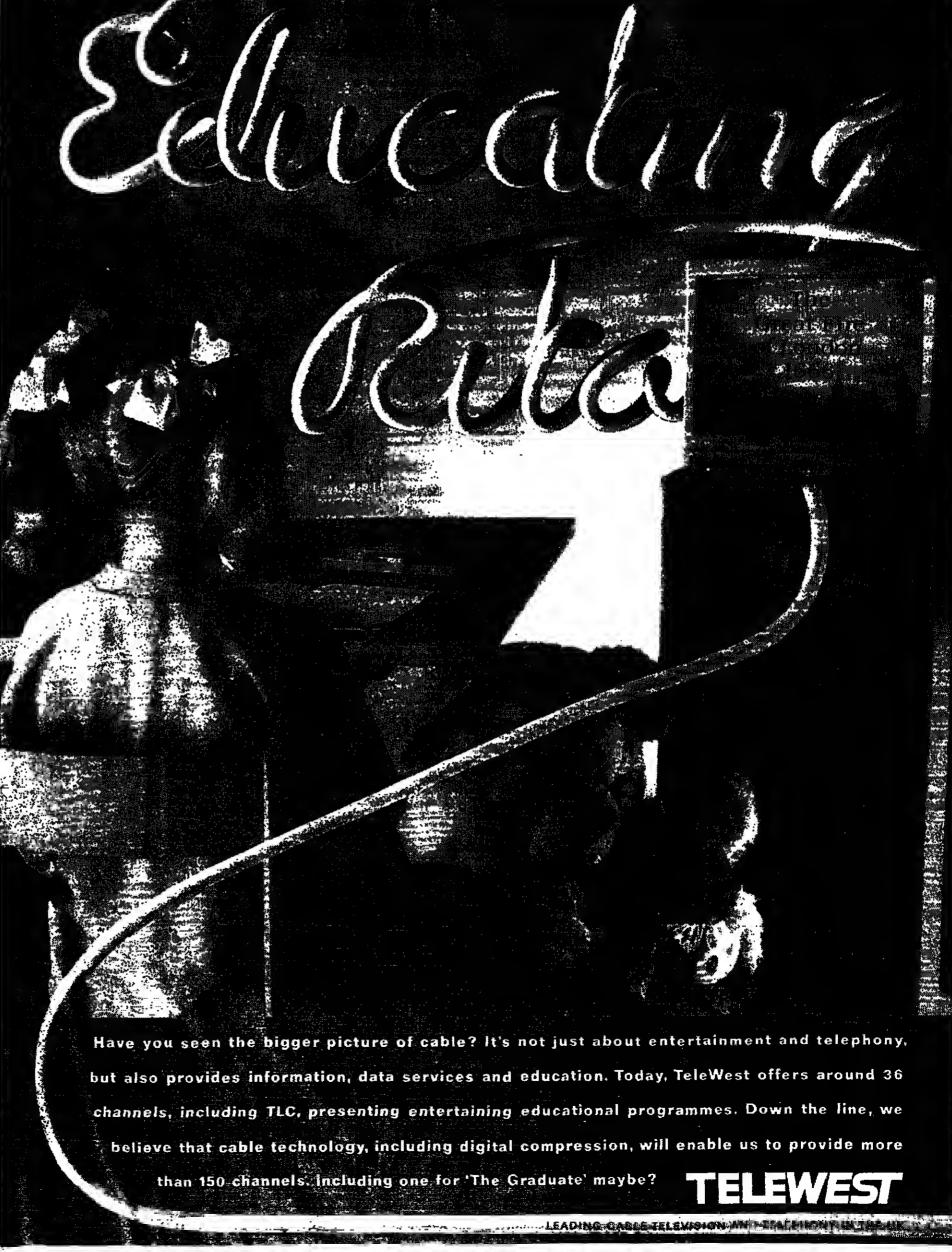
	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ersham intiint	4.91	Jan 8	4.4	-	15.5
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ble & Wirelessint	2.83	Feb 28	. 2.6	-	8.25
my Thi & HillInt	2.25	Dec 21	2	•	6.5
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merfin	1大	Jan 18	reli	1.5	nell .
nbro insurance int	1.85	Dec 19	1.85	-	5.55
ttish Valuefin	1	Jan 10	0.95	2	1.8
and intiint	1.65	Feb 24	-	-	0.74
es Wine Lodgeint	1	Feb 20	_	_	-

# paign, Mr Ugland added.

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#### **CONTRACTS & TENDERS**



TO SUBMIT EXPRESSIONS OF INTEREST FOR THE POSITION OF TECHNICAL MANAGING AGENT FOR THE OFFSHORE MARINE ESTATE

As part of their rolling programme of tendering major consultancy contracts the Crown Estate Commissioners will be tendering the position of Technical Managing Agent for the Offshore Marine Estate currently held by Postord Duvlvier.

The Crown Estate Commissioners invite "Expressions of Interest" from those interested in participating in this Tender. The Commission decide on the basis of this information to whom to release ents. The Tender will seek bids for a three year contract.

The offshore Marine Estate is primarily concerned with Marine Aggregate Extraction and the role of Technical Agent Includes Geological Analysis, and the full management of an ARC Into GIS and an associated Electronic Monitoring System for all dredging vessels operating on Crown

The forms of Expressions of Interest including further information may be Obtained from Dr A J Murray, The Crown Estate, 18 Carton House Terrace, London, SW1Y 5AH (telephone: 071 210 4314). Please quote

of interest must be received by Monday 28th No

#### **LEGAL NOTICES**

This Notice is a Matter of record only-November 10, 1994

Curtis A. Phaneuf has filed in Federal District Court, District of Arizona, No. CIV-94-746 TVC WDB, for more than US\$25,000,000, due to nonpayment of promissory notes due and payable 15 May 1993, extended to 15 May 1994, issued by the Republic of Indonesia through Dewan Pertahanan Keamanan Nasional, AKA The National Defense Security Council-Jakarta, Indonesia.

Notes signed by: Dr. Ibnu Hartomo, Deputy of Development, Mr. S. Soebagyo Soedewo, Deputy for Long Term Planning and Mr. H. A. Chalid Mawardi, Ambassador Extraordinary and Plenipotentiary of the Republic of

Notes authorized by: Lt. General Achmad Wiranatakusumah, Secretary General.

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Carlisle Group yesterday completed its transformation from a financial services company to a property group with the amnouncement of a £14.4m placing and open offer to help fund £29m of property

The transaction will almost double the size of Carlisle, whose primary operating business is the Pepper Angliss & Yarwood

Mr Nigel Wray, chairman and largest shareholder, said: "The deal gives us the balance sheet that will enable us to take

the next step. We'd like to trade out a lot 2470,000 for the year to March 31 on turnof this portfolio and get more beavily involved in the Mayfair area.' The company is offering 75.6m new

shares at 20%p on a 10-for-11 basis. Carlisle will pay £4.5m for Strathinver. the investment bolding company which owns the portfolio. It has agreed to repay £4.3m of Strathinver's £24.5m debt imme diately, and will repay a further £6.95m

by the end of the year.

Strathinver is 60 per cent owned by Coats Viyella. The family of Mr Jonathan Harris. Carlisle's chief executive, holds 26 per cent. It reported pre-tax losses of over of £2.69m.

COMPANY NEWS: UK

The company owns 16 commercial and indostrial properties spread throughout England, with current oet rental income of £2.68m. This represents a yield of more than 9 per cent. The deal, effectively a reverse takeover, provides Carlisle with the financial muscle to develop as a property investment group. Net assets will increase from £9.24m to £24m.

Trading in the shares was suspended and will not resume until December 8, wheo dealings in the new shares are due

## Former tipster makes his mark

Carlisle's reconstruction comes as no surprise, says Simon Davies

lbe transformation of Carlisle from a small financial services company into an ambitious property investment company has caused little surprise, as it car-ried the classic hallmark of its main shareholder, entrepreneur Mr Nigel Wray.

The former tipster, who bought the Fleet Street Letter for £7,500 and transformed it into the multi-million pound concern that eventually hecame Carlton Communications has had enormous success reconstructing shell com-

In 1988, his newsletter group Chartsearch launched a suc-cessful bid for Burford, a fledgling USM-traded property

It has since been transformed into a £270m-capitalised group which owns the Trocadero and a £100m prime portfolio acquired from Ladbroke in February.

Mr Wray is hoping to do the same with Carlisle, a company he has known since the mid-1980s, when he acquired a large holding in its former incarnation. Somportex. Its primary business at the time was Slush Puppy. He sold the bulk of his shares in 1987, but repurchased 33 per cent of Carlisle in January at a substantially lower

Mr Wray's love of small companies dates from his days as a trainee fund manager with Singer & Friedlander. After his success with Fleet Street Letter in the early 1980s.

be launched a spate of take-overs, including a bid for Singer 10 years after he left it He has managed to keep on good terms with his investments, and retains directorships and small shareholdings in both Singer and Carlton.

His other main investment is a 13.5 per cent stake in The People's Phone, the independent cellular phone service provider, which now has 180,000 subscribers and should

make profits of £8m this year. Mr Wray sees himself as an investor in people. He has focused on basic businesses and backs managements in which be feels confident.

"My job is to make sure that I have got the right chief executive, that he's doing his job well, and that be's got the optimum conditions in which to work." he said.

Property is a business be likes. At Burford he found a company run hy amhitious chief executive and fellow Mill Hill old boy Mr Nick Leslau. His aim was to establish a

conservatively financed group that could focus on investing in problem properties, producing a reasonable rental stream but requiring intensive man-

In the case of Carlisle, be is backing Mr Jonathan Harris, who worked his way up from office boy to senior partner at property sgency Pepper Angliss & Yarwood, Carlisle's

only operating business. Mr Harris, Carlisle's chief executive, has spent the last four years trying to reverse the actions of a previous management which took the group into stockbroking and Welsb gold mining, with disastrous results. He is finally in a posi-

"Carlisle's strategy is to acquire properties whose value can be enhanced by intensive management", said Mr Wray, ecboing the old policy of

He is keen that Carlisle should build up investment in Mayfair, funding purchases through trading out existing properties and, if the market will support it, new equity.

Carlisle's timing has not been immaculate. An earlier deal, involving the purchase of some small properties from Burford, was blocked by the Stock Exchange because the holding company did not have a three-year track record.

Carlisle's share price at the time was about 30p, compared with Tuesday's closing price of 22%p. However, Mr Wray him-self has fared better, having bought in at 11p. Following the placement, his shareholding will be diluted to 17.7 per cent, but he maintains that he is there for the long term. "I like the stock market, but when I look back, it is only the investments that I've had for five or 10 years that count," he said.

## Carlisle funds property expansion | Rationalisation benefits Fenner

By Andrew Baxter

Rationalisation, organic Rationalisation, organic growth and new products helped Fenner, the power transmission, fluid power and industrial belting group, lift full year pre-tax profits from just £315,000 to

Operating profits before exceptional items for the year to August 31 rose 27 per cent to £12.2m, the highest for four years, while turnover slipped from £201.6m to £200.8m. After adjusting for disposals and exchange rate movements, turnover rose 5 per cent.

Exceptional items fell from 56.3m to £2.6m as redundancy and rationalisation costs fell. Interest charges dropped from £3.6m to £1.9m, reflecting last September's rights issue and

Earnings per share, after exceptional items, were 4.46p (6.97p losses). Mr Mark Ahrahams, chief

executive, said the biggest achievement was the turnround on the power transmission side - Fenner's largest business and one that was formerly for sale. In spite of continuing diffi-

cult trading conditions, the division reported its first operating profit for three years. The "star performer," said Mr Abrahams, was the polymer business, which was

US sales and strong growth in hose and ducting sales.

The fluid power division was helped by a strong performance in the US, and from ini-tial sales in continental Europe and the US of Fenner's new vapour recovery system for

(02) 11114

use st petrol filling stat-Mr Abrahams said the system, which returns allegedly carcinogenic vapour back to the filling station tank, could

become a "very material" part of the division. A final dividend of 1p (nil) will be paid as a foreign income dividend, a measure introduced at the interim stage to save on ACT. The total for the year is 1.5p (nil)

After recession, things are coming right at last for Fenner, due as much to its own efforts as to improved market conditions. The main problem, power transmission, has been sorted out and offers a solid, if unexciting, future. The rights issue and placing has cut gearing from 54 to 10 per cent and gives a better springboard from which to exploit new products - especially the vapour recovery system. Organic growth and a further reduction in exceptionals should give pre-tax profits of about £18m this

year. Assuming a lower tax

charge, the prospective p/e is

5 055

#1.54m



Colin Clarke, chairman, (left) and Mark Abrahams with Fenner's new vapour recovery pump for petrol filling stations

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CASE NO. 93-41444-H5-11

Price Waterhouse, receiver to RFS Industries, the former British Rail-owned engineering company, has sold the last of its businesses to a management buy-out, saving 350 jobs at the Doncaster-based

RFS was a £5m management huy-out

from BR in 1987, and was the first privatisation of its rolling stock manufacturing

Receiver sells rump of RFS Industries

However, the company used its revitalised finances to expand into new businesses, and having drastically overextended itself, went into receivership in

The company's core rail passenger

rolling stock and bogie design operations were sold in May to Bombardier Eurorail for an undisclosed sum. This represented about 80 per cent of group turnover.

The remaining overhaul operations are being sold to the MBO. RFS employees will own 33 per cent of the company, with the remainder taken up hy hackers, including Yorkshire Fund Managers and Sun Life.

#### **LEGAL NOTICES**

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF TEXAS **HOUSTON DIVISION** 

Debtor.

GUYANA DEVELOPMENT

CORPORATION

(Chapter 11)

NOTICE OF CHAPTER 11 CASE

AND DEADLINE FOR FILING CLAIMS . Commencement of Chapter 11 Sankruptcy Case and Appointment of Trustee. On February 22, 1993, Guyuna Osvelopment Corporation ("GOC") commenced u Chupter 11 bankraptcy case under the United States Bankruptcy Code in thu Onited Atetes Bankraptcy Court for the Southern District of Texas, Souston Oivision ("the Aunkraptcy Court") On December 15, 1993, the Sankraptcy Court appointed

(telephone); (713) 759-6834 (fecaimile). Connect. Counsel to the Trustee in the GDC Chepter 11 bankruptcy case in the law firm of Kirkendell, lugur and Rothfelder, L.L.P., 700 Louisiane, 48th floor, Houston, Texus 77002; (713) 225-4646 (telephone); (713) 225-1284 (facsimile). Corruspondence to the Trustuu'u couusel should be addressed to the atteution of Oavid & Jones.

Oavid Askuuse, a Houston attornuy, un thu Chepter 11 Trusten of GDC. Mr.

Askanesu'a address is: David Askanase, Trustee, Hughuu, Wetters & Askunaau, L.L.P., 1415 Louisiuua, 37th Floor, Houston, Texes 77002; (713) 759-0818

3. Property of the Estate. Oader u serieu of Ordere, the Bankruptcy Court has determined that the assets of Edward W. Callau, Edward Callan Interesta, South West Property Holdinge, Ltd., Allied Muritime, Inc. and Guyana Joint Venture Partuership are property of GDC's hankruptcy sututs. GOC elso owne, or owns an interest in, South Cut Cuy Company, Ltd., Gueyans Exploitution Ltd, Halken Explores Ltd, Balkan Explores (Bulgurie) Ltd, Petromineros a.A., Petromineros Gel Puru Ltd. Kuruk Petroleum Pukiutuu Ltd., Cuuumuuce Putroluum Ltd., Colossas Petroluum Ltd., Four Leuf Limited Partnership, Adgewater Corporutiou, Miami Reul Estate Ventures Iuc. IV, Eldorudo Ltd., North Africu Putroleum Limited and Ashby Park luvestments. If you are a oreditor of any of these untities, plussu read paragraph S as your rightu may he adversely affected if you do not film u proof of claim.

4. Motice. GDC's known creditors will receive (i) e copy of GOC'e dieclosure etatement and proposed plan of reorganization; (ii) notice of the date of the confirmation hearing on GDC's proposed plan; and, (iii) notice of any other matters required by the Bankruptcy Court or the Bankruptcy Code. Any GDC cruditor or party-iu-iutereut iu the GCO Chupter 11 bankruptcy cuuu recuive noticen of hearings and copies of any other documents filed with the Hankraptcy Coart in GDC's Chepter 11 bankraptcy case by filing ap eppropriate uctice with the Bankruptcy Court ander Bankruptcy Rule 2002 and providing copy of nuch notice to the Trustee and his connael.

5. Claims. The Bankruptcy Court has entablished Tuesday, January 31, 1995 ("the deadline") as the desdline for filing claims with the Bankruptcy Court in the GDC Chaptur 11 bankruptcy cuau. Proof of claim forms are uvuilable from the Clerk of the Hankruptcy Conrt. A claim may be filled by mailing (i) an original and a copy of your proof of claim along with a nelf-addressed envelope to U.S. Bankruptcy Court. P.O. Box 61288, Houston. Texas 77208, and (ii) a copy of your proof of claim to Trustes's counsel. If you are a creditor of GDC or any of the entities listed in paragraph 3 and wish to pursun your claim, then you must file - on or before the deudline - e proof of claim with the auskruptcy Court and dalivar e copy of such proof of claim to the Trustee's coursel. If you do not, then your claim may be time-barred and you may not he untitled to a dividend, if any, from the liquidation of the GDC estate. If a proof of claim is filed with the Sankruptcy Court through the mail, then such proof of cleim must be received by the Clurk of the Bankruptcy Court ou or hufore thu deedling. If u proof of claim is received by the Clurk of the Sankruptcy Court ufter the duadlinu, then much claim may be time-harred and you may not be entitled to u dividend, if any, from the liquidation of the

This form of ucticu was approved on October 17, 1994 by the Bankruptcy Court, the Sonorablu Kureu K. Brown presiding.

David Askanuae, Truutee Eughea, Watters & Askanase, L.L.P. 1415 Louisians, 37th Floor 20uatou, Texas 77002 (713) 759-0818 (telepho (713) 759-6234 (fecaimile)

Trustee's Counsel: Rirkendall, Jugur & Rothfelder, L.L.P. 700 Louiuiana, 48th Floor Eccuton, Texas 77002 (713) 22S-4646 (teluphone) (713) 225-1284 (facuimile)



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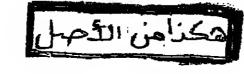
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reports of any of these companies by phoning or faxing the numbers shown on these pages in the FT every day.

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OVEMBER 10 1994

By Michael Smith

losses of £10.2m

Shares in Coal Investments,

the mining company, lost

another 7 per cent of their

Democratic Mineworkers failed

to secure nomination as pre-

ferred bidder for either of the

Yesterday's closing share

price of 87p compares with a high, achieved early last

month, of 143p.

Losses for the six months to

September 30 compared with a deficit of £68,000 last time.

Turnover was £940,000 (nil) and

losses per share 20p (0.2p). Mr Malcolm Edwards, chair-

man, said substantial progress

had been made in bringing

the company's five mines back into production and the most

difficult part of the develop-

ment had been completed.

By Bernard Gray,

fence Correspondent

Thorn EMI, the music and

rentals company, is in discussions with Racal Electronics

over the sale of its defence sen-

No price has been disclosed,

but the businesses, based at Crawley, West Sussex and

Wells. Somerset, had turnover

The division employs 1,140

people. Its main products are

specialist engineering com-

pany, reported pre-tax losses

reduced from £2.83m to £1.54m for the year to July 31. Turn-over was 45 per cent ahead at

£2.72m, compared with a

its totalled £11,000 (£338,000

loss).
The company, which is US-

based, said its continuing

operations had been profitable

since January. Following the

disposal in June of its Starks Field oil operations for \$2.5m

(£1.52m), its operating accounts

consisted entirely of engineer-

ing business. The second half

had made a positive overall

contribution, reducing the £1.86m loss reported at interio

Losses per share improved

from an adjusted 5.48p to 1.49p.

Chamberlin & Hill

of about £75m last year.

central English coal regions.

compared with £747,000, struck on turnover of £11.6m, up 11 per cent from £10.4m. Mr John Eccles, chairman,

said traditionally the second

Full production had been achieved at the small mine at Cwmgwili in Wales following earlier geological problems. Two of the four larger mines

value yesterday after the company reported a 10-week delay were now ready to start comin its mine reopening promercial production. gramme and interim pre-tax Mr Edwards said that next year's production and sales The shares fall continues a trend which began when Coal from all mines would be greater than previously expec-Investments and the Union of

ted, although he declined to say by how much. company said production delays resulted from late delivery of machinery.

The cumulative effect would be a lower than forecast level of production and sales during the second half and consequent nel cash ontflow during that The company had agreed

terms in principle for additional loan facilities of £5m to meet this requirement. lt would refinance loan as part of a furtber equity issue to be announced

Mr Edwards was confident about prospects for 1995-96 and

Thorn EMI discusses sale

land forces.

of sensors business to Racal

specialised radars, such as the

Cymbeline weapon-locating

radar, electronic counter-

measures equipment and com-

mand and control systems for

Thorn is in detailed discus-

sions with Thomson of France

over the sale of its defence

group business, which does not

include the sensors operations.

The defence group's turnover is about £80m and its main

activities are fuses and electro-

50 .--

Coal investments

**COMPANY NEWS:** UK AND IRELAND

Deeper losses and delay in mine reopening programme hit share price

Coal Investments £10m in red

beyond. Excellent progress was being made in discussions with a number of coal buyers and

Nov 93

directors were "confident that period sales contracts will be put in place for the greater parl of the group's produc-

Mr Edwards' high-flying shares have been floating back to earth recently, but investors

Thorn has also sold its elec-

tronic security business. If

both the defence and sensors

sales are completed, it will

only be left with its transac-

tion ticketing operation out-

side its declared core areas.

Preliminary discussions on the

ticketing husiness are also tak-

Sir Colin Southgate, chair-

man, has said that the com-

music production, music retail-

pany will concentrate on its

ing and rental operations.

holdings in the year since he took over. In spite of the bidding disappointments and the production deleys announced yesterday, many investors are still prepared to put their faith in the former British Coal marketing director. Losses could reach £14m this year but providing the company can mine and sell 3m tonnes a year, as some brokers believe is possihie, it could make \$14m in profits in 1995-96 excluding any effects of its holding in Mining Scotland, the preferred bidder for British Coal's Scotland region. Profits of £14m would put the shares on a p/e of about 5, rather low according lo supporters. All very well, but the company still has much to prove. It must get the next share issue out successfully and it must show that it can meet its production and sales targets. Failure to show solid progress by the end of the year could meet with a stern responsa from the

start can still reflect on a more than fivefold increase in their

#### Scottish Value Trust net asset value rises 12%

Scottish Value Trust increased net asset value per share by 12 per cent, from 97.34p to 109.15p, during the year to September

The rise compared with

gains of 7 per cent and 0.3 per cent respectively in the FT-SE-A Investment Trust Index and the FT-SE-A All-Share. After-tax revenue increased from £845,000 to £1.01m giving earnings per sbare of 2.05p

As foreshadowed, the final dividend is Ip for a total of 2p

#### Irish Life reorganises into two new units

By John McManus in Dublin

Irlsh Life has reorganised its UK and Irisb operations into two new units. The retail businesses in Ireland and the UK are to be combined into one unit, while the Irisb corporate husiness will be combined with the investment division into a second unit.

Previousty, the Irish retail and corporate husinesses operated as one unit while the UK retail business formed part of the European operations. Mr Brian Duncan, Chief executive of Irish Life Ireland,

is to step down at the end of the year following the reor-Mr Duncan has worked for Irish Life since 1964, heading the Irish operation since 1985. He is now expected to take up

a position in the Irisb health insurence industry, being tipped to take over at VHI, the state-owned health insurance The reorganisation is "designed to build upon the company's leadership position in our core retail and corpo-

rate business markets in ireland and to underpin our strategic repositioning in the UK market," explained Mr David Kingston, maneging director.

#### £200m Airtours bond

Airtonrs, the tour operator, has signed a new five-year bonding facility worth £200m, which will replace existing facilities.

It has been jointly arranged end underwritten by Barclays syndications, NatWest Capital

# THE PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/ travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

The theme for the 1995 prize, worth not less than £3,000, is: DOES FREE TRADE THREATEN THE ENVIRONMENT?

Applicants, aged under 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

#### **CLOSING DATE JANUARY 6 1995**

APPLICATIONS TO:

ROBIN PAULEY, MANAGING EDITOR THE FINANCIAL TIMES (L) NUMBER ONE SOUTHWARK BRIDGE LONDON SEI 9HL

#### **NEWS DIGEST Villiers** half had proved stronger than the first, and this year should cuts loss

be no exception. Earnings per share came out at 5.94p (7.35p), with an interim dividend of 2.25p (2p). to £1.54m Scottish Power Villiers Group, the USM-traded

optics equipment.

output of the Magnus Field in the North Sea for £150m. Gas will be supplied for at least 10 years from October next year, and Scottish Power will initially bring ashore Acquisitions contributed about 60m cu ft a day from the 21.21m to sales. Operating prof-

> Exploration in partnership with Repsol, Brasoil UK, Sunoil Britain and Goal Petro-

Scottish Power is building a portfolio of gas supplies for its Caledonian Gas marketing arm and its Longannet power sta-

#### Bunzl expands

Bunzl, the distribution and cigarette filters group, has made its eighth acquisition in just over two years with the purchase of NL Whittaker.

The company, which incorporates the business of AW Holmes (Paper), supplies a range of disposable items, mainly to the hotel and cater-

Sales of the combined businesses in the year to December 31 1993 totalled £13m; net assets are estimated to amount

Mr Anthony Habgood, Bunzl chief executive, said the deal

demonstrated the group's continuing commitment to the development of paper and plastic disposables activities, now its largest and most profitable

#### Seet

Scottish Power has agreed con-Shares of Seet dropped 7p to tracts to buy the entire gas 44p yesterday after the textiles group reported sharply increased annual losses.

The group also announced that Homemaker Shops, its 47.7 per cent-owned lossmaking associate, had sold its trading assets to Florida-based Linen Supermarket; the directors estimate that Seet will receive Magnus is operated by BP between \$1.71m and \$1.96m (£1.19m) but under Stock Exchange rules will have to

seek shareholder approval to remit the proceeds as capital. On turnover of £4.72m (£6.5m including £1.69m from discontinued ectivities), pre-tax losses for the 12 months to April 30 widened from £60,840 to £321,160. The outcome took in losses of £41,383 (profits of

> exceptional write down against the US operation of £130.957. Nevertheless, Mr Jock Mackenzie, chairman, remained upbeat. There had been a "sig-nificant improvement" since the year end, he said, with turnover at Peter MacArthur, the group's laading tartan

£75,336) at Homemaker and an

a year-on-year basis. The Homemaker disposal eliminated bank borrowit interest charges dropped from £148.853 to £26.672

Losses per share were 8.88p

#### Offer for Subscription

of up to 65,000,000 Ordinary Shares of 25p each (with Warrants attached on a 1 for 5 basis) at an issue price of 100p per share payable in full on application.

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for Ordinary Shares (with Warrants attac

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Manager **Murray Johnstone Limited** 

#### KEY INFORMATION

**Investment Objective** 

Murray Emerging Economies Trust PLC aims 10 benefit from the growth of emerging economies by investing in emerging and frontier markets worldwide for long term capital growth.

de Zoete & Bevan has received irrevocable under takings from institutional and other investors to make applications to subseibe for in aggregate 45,630,500 Ordinary Shares (with Warrants attached) subject to the Offer, being 70.2 per cent of the maximum number of Ordinary Shares (with Warrants anached) available under the Offer.

#### Instructions for Delivery of **Application Forms**

Completed Application Forms should be returned by post to Clydesdale Bank PLC, Registration Department, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ, or delivered by hand to Clydesdale Bank PLC, New Issues Department, 30 Lombard Street, London EC3 so as to be received not later than 10.00 am on 29 November 1994. If you post your Application Form, you are recommended to use first class post and allow at least two days for delivery.

If you have any queries relating to the Application Form please telephone Registration Oepartment, Clydesdale Bank PLC on 081 478 1234.

de Zoete & Bevan Limited is a member of The Securities and Futures Authority Limited and the London Stock Exchange.

Copies of the Listing Particulars and the mini prospectus are available for collection from de Zoete & Bevan Limited, Ebbgate House, 2 Swan Lane, London EC4R 3TS; Clydesdale Bank PLC, New Issues Department, 30 Lombard-Street, London EC3 9BB; and Murray Johnstone Limited, 7 West Nile Street, Glasgow G1 2PX until 29 November, the date the Offer closes.

10 November 1003

# This advertisement is issued in compliance with the regulations of The International Stock Exchange of the United Kingdom and the Republic of Ireland (the "London Stock Exchange"). Application has been made to the London Stock Exchange for the new ordinary shares to be issued pursuant to the Placing and Open Offer and for the existing ordinary shares and convertible preference shares of Carlisle Group Pic ("the Company") to be admitted to the Official List. It is emphasised that this advertisement does not constitute an offer or invitation to any person to subscribe for or purchase securities of the Company. It is expected that admission will become effective and that dealings in the Company's new ordinary shares and in the existing ordinary shares and convertible preference shares will commence on 8th December, 1994.



CARLISLE GROUP Plc

(Incorporated and Registered in England No. 511804)

Proposed

Acquisition of Strathinver Investments Limited

Placing and Open Offer of 75,608,100 new ordinary shares at 20.25p per share by Collins Stewart & Co

Share capital immediately following completion of the Acquisition and Placing and Open Offer: Juned and Fully Paid

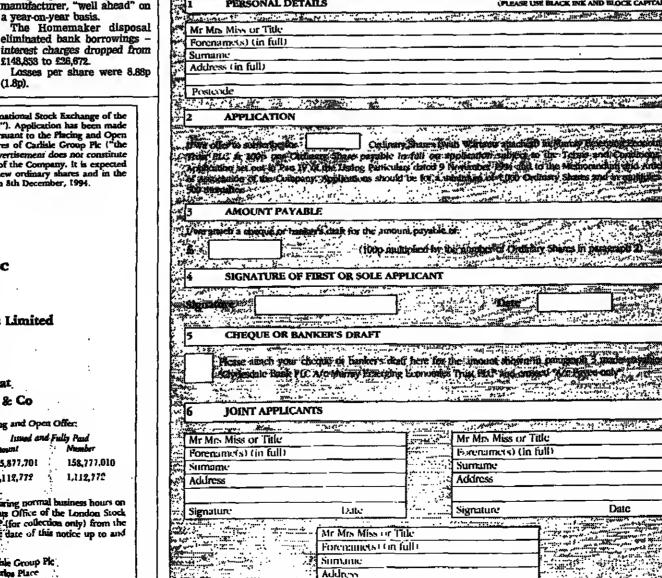
£15.877,701 ordinary shares of 10p each 200,000,000 £20,000,000 1.112.772 convertible preference shares £L112.772 5,000,000 £3,000,000.

Dorland House 14-16 Regent Street London SWIY 4PH

10th November, 1994

Copies of the Listing Particulars relating to the Company may be obtained during normal business hours on any weekday (public holidays excepted) from the Company Announcements Office of the London Stock any weekday (public holidays excepted) from the Company Announcements Office of the London Stock Exchange, Capel Court currence, off Bartholomew Lane, London EC2N 1HP-(for collection only) from the Exchange, Capel Court currence, off Bartholomew Lane, London EC2N 1HP-(for collection only) from the date of this notice up to and date of this notice up to and land of the stock of the sto

6 Carlos Place London WIY 6LL



APPLICATION

AMOUNT PAYABLE

JOINT APPLICANTS

· .....

SIGNATURE OF FIRST OR SOLE APPLICANT

Mr Mrs Miss or Title

34 Sumance

Address

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CHEQUE OR BANKER'S DRAFT

#### COMMODITIES AND AGRICULTURE

## Coffee prices fall on Brazilian crop report

Coffee fell in London yesterday when estimates by the Brazilian government of the extent of damage to next year's crop disappointed traders by being in line with their expectations. Prices had been bid up in trad-ing earlier this week following rumours that crop damage was

much greater than had previously been anticipated. The January futures contract slipped \$62 to \$3,506 a tonne on London Commodity Exchange as the New York market also slowed. By midday, coffee futures at the Coffee, Sugar and Cocoa Exchange had slipped by 2 cents a pound

The Brazilian government has estimated the 1995-1996 coffee crop at between 12.7m and 14.8m bags (60kg each) following two frosts and a prolonged drought. Government officials said the drought was likely to cause the crop to shrink 25 to 30 per cent on top of damage already wrought by the frosts. After the frosts, government

estimates put the crop at a minimum of 15.7m bags compared with the 26.5m bags which had been expected before.

Even though the fall in the Brazilian crop will exacerbate tightness in world supplies by the middle of next year, analysts say the market is well supplied.

around right now. Sentiment in the market is turning bearish and there is a risk the market could drop sharply," said Ms Judy Ganes, commodities analyst at Merrill Lynch in

New York. Brazilian officials said output was not likely to return to normal until 1997.

#### By Deborah Hargreaves Banana exporters from tha Windward Islands are becom-

ing increasingly impatient with internal wrangling at the European Commission that has delayed a transfer in their supply quotas for the fruit. Windward Islands' exporters are awaiting a change in their quotas so that they can ship to the European Union bananas

from elsewhere, such as Latin America, to compensate for the less of their own crop in troplcal storm Debbie in September. The commission's banana management committee has already recommended a quota transfer for the islands, but the proposal has been blocked by

because of Bonn's opposition to

the whole banana regime. "We're getting frustrated. We can't defray our fixed costs or keep our regular customers supplied unless we get a quota increase," said Mr Bernard Cornibert, Windward Islands banana London representative.

Windwards impatient over

St Lucia, for exampla, is shipping only 3,000 tonnes of bananas a week to the EU market following the devastation of its crop. At this time in a normal year, its deliveries would be closer to 6,000 tonnes. Mr Cornibert says that meeting the same range of fixed costs on smaller tonnages of fruit has increased costs hy 20 to 25 per cent. At the same time, the islands risk losing customers who they are at

delay to EU banana deal Lucia up to 9 months to restore production to its former levels but its rehabilitation plans are dependent on aid from the EU under the Stabex economic programme. St Lucia expects to receive Ecu Jain and Dominique should get Eca 3.8m, but payment of the grants has also been delayed.

Chamber Dates

Bananas from African, Carthbean and Pacific countries enter the BU tariff-free, but quotas and tariffs are imposed on so-called dollar bananas from Latin America under the EU's import regime.

The regime is so controver-sial that the commission is stymied on whatever action it tries to take by opposition from Germany. An official said the quota issue could come to a vote next Wednesday.

## Malaysia turns its back on commodities

Primary products have little place in the new industrial vision, writes Kieran Cooke

planter turn in his grave. Malaysia, for so long the world's leading producer of natural rubber, is turning its back on the industry. "Malaysia is no longer inter-

ested in producing rubber," says Dr Mahathir Mohamad, the prime minister and main architact of the country's recent high speed economic growth. "We hope to relocate the industry to neighbouring countries like Indonesia." Dr Mahathir wants to make

Malaysia a fully industrialised country by the year 2020; and production of primary commodities like rubber and tin has little place in this vision. Critics say the government's policies are misguided: in the rush to industrialise a vital part of the economy is being neglected - expertise and knowledge huilt np over the years will be wasted.

Over the past 20 years the structure of Malaysia's economy has been transformed. In the early 1970s rubber and tin made up nearly 70 per cent of Malaysia's exports. Last year manufactured goods accounted for 74 per cent of export values. with rubber representing less than 2 per cent and tin only 0.5

Until recently Malaysia led the world in the production of natural rubber and tin. In 1988 it produced 1.8m tonnes of natural rubber but this year out-put is likely to fall below im tonnes, Both Thailand and Indonesia are now bigger producers than Malaysia.



Tin ----24.8%

shrunk to about 2,000.

of total world palm oil output.

most of Malaysia's primary

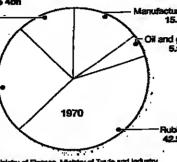
commodity exports in recent

years has been blamed for the

sector's decline. But commod-

ity producers argue that gov-

The fall in world prices for



Tha decline has been still ernment policies have accelermore dramatic in Malaysia's ated the process. "The governtin industry. In the early 1980s ment is obsessed with mannfacturing and ignores the it was producing more than 60,000 tonnes of tin a year. The potential - and the problems industry - the foundation of of the commodity sector," says one rubber producer. "Yet the fortunes of of many the commodities are still a central country's early entrepreneurs part of the economy." Last then employed more nearly 40,000 people. This year tin production will probably be less year Malaysia's commodity exports. including forestry than 6,000 tonnes and the products hut excluding oil and industry's workforce has gas, were worth M\$25.2bn

The one bright spot in the hila the share of commodities in overcommodities sector is palm oil. Encouraged by generally buoyant world prices, production all export earnings is has doubled over the last ten declining the statistics are misyears to reach more than 7m tonnes last year. Malaysia now Commodity producers say accounts for about 55 per cent

their export earnings are of far more direct benefit to Malaysia's economy than exports from the manufacturing sector. Multinational electronic companies, operating mostly in free trade zones, account for a large proportion of Malaysia's manufacturing exports. Those exports have a high ratio of imported content. A large amount of the funds from manufactured exports does not flow back into Malaysia but is repatriated overseas. Labour shortage problems

are particularly acute in the commodities sector. Local workers have drifted to jobs in factories in the cities and towns: most of those left behind in the rubber plantations and oil palm estates are elderly. As a result thousands of immigrants are working in the commodities sector: on some estates more than 70 per cent of employees are from Indonesia or Bangladesh.

The plantations object to paying a M\$300 government levy, plus recruiting expenses, for every foreign worker employed. After a few months, many immigrants go to jobs in the manufacturing sector. Mr Borge Bek-Nielsen, who runs

COCCA LCE (E/tonnel

94,000 acres of palm oil planta-tions on Malaysia's west coast, says action must be taken to keep workers on the land. "In a way we are subsidising the industrial sector," says Mr

Malaysia has made substantial investments to develop downstream commodity indus-tries. But producers say that if more attention is not paid to sustaining commodity output, downstream factories will he starved of raw materials.

In the first seven months of this year Malaysia's natural rubber imports increased by 53 per cent compared with the same period last year. In the first half of 1994 the country's domestic tin in concentrates production fell below consumption - a position undreamt of just a few years ago.

Malaysia leads the world in many aspects of commodity research and development. Its rubber, palm oil and cocoa plantations are among the best run and most productive. Producers say the government should encourage investors to capitalise on this expertise rather than continually urging people to put their money into the manufacturing sector.

Mr Lim Keng Yaik, the minister of primary industries, told a planters conference in Kuala Lumpur this month that people should not feel that the production of primary com-modities in Malaysia had reached the end of the road. But Dr Mahathir clearly feels this point has been reached in

natural rubber production.

## 'Untransparent' LME attacked

He said it would take St

present unable to supply.

By Kenneth Gooding, Mining Correspondent

The antipathy some metal producers and consumers feel about the London Metal Exchange was voiced yesterday by Mr Yves Rambaud, chairman of Eramet of France, the world's fourth-largest nickel producer.

Questioned about the recent sharp rise in the nickel price at a time when exchange stocks were also increasing, he said the LME was a "very untran-sparent market." It was not possible, for example, to know who owned the stocks in LME

warehouses He said consumers were frightened" of the LME and more and more of them were looking for long-term supply contracts from producers. About 80 per cent of Eramet's nickel went to stainless steel producers, Mr Rambaud told the Association of Mining Analysts in London. These customers wanted two things in partlcular: continuity of supply and prices not to move outside a certain range which elimi-

nated the peaks and the

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000bs; cents/lbe

Sett Day's Does lot price change High Low let

68.950 -0.275 70.350 89.450 30.958 88.500 -0.025 89.625 89.000 22,457

The London Metal Exchange board agreed yesterday to open warehouses for copper in the US.

The locations, available from April 1, 1995, "subject to there being suitable approved warehouse companies operating there hy this date", would be New York/New Jersey, Chicago, St Louis and Angeles/Long Beach, ths exchange said.

troughs in LME prices. About half of Eramet's sales were made on long-term contracts with these terms. "Both we and the consumers agree this

is a good system," ha said. Mr Rambaud suggested that demand in the western world for nickel this year would grow at between 7 and 9 per cent, compared with 5 per cent in 1993 and well above the annual average of 2.1 per cent seen in the past 20 years. This would leave the market in balance because there was no room for western producers to increase output and no possibility that Russian exports would grow.

supply surplus of 15,000 tonnes this year compared with surpluses of 49,000 and 75,000 tonnes in 1983 and 1992.

He pointed out that Russia's production could not increase unless hig investments were made in its industry and then it would take three or four years for this investment to have an impact. Meanwhile, nickel consumption in Russia was at such a low level it could not fall much further.

Western producers neede an average price of \$3 to \$3.20 a pound to hreak even but a price of \$3.50 to \$4 was required to make it worth investing to expand existing capacity. Prices of more than \$5 were needed for new capacity. The LME three-month price closed last night just below last week's 2%-year high at \$7,427.50 a tonne.

previously Eramat announced it would lift annual capacity at its 82-per-centowned SUN (Societé Metallurgique Le Nickel) in New Caledonia from 50,000 to 60,000 tonnes. Mr Ramhaud this would be done step by step, "in Eramet previously forecast a line with market growth".

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#### COMMODITIES PRICES

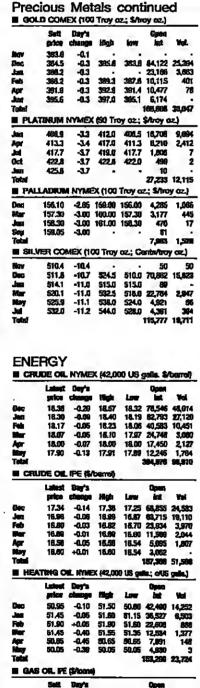
BASE METALS LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading) M ALUMINUM, 99.7 PURITY & per tonne

High/low	1871/1858	1883/1842
AM Officiel	1871-73	1880-81
Kerb close		1843-4
Open int.	260,287	
Total daily turnover	81,902	
M ALUMINIUM ALLO	DY (5 per tones	»)
Close	1830-40	1860-70
Previous .	1820-25	1850-53
High/low		1870/1840
AM Official	1635-46	1865-70
Kerb close		1640-5
Open int.	2,958	
Total daily tumover	406	
LIEAD (S per tonne	)	
Close	664-66	679.5-80.0
Previous	687-68	683.5-84.0
High/low	668	686/679
AM Official	668-68.5	684-84.5
Kerb close	40 700	680-1
Open Int.	43,760	
Total daily tumover	7,062	
NICKEL (\$ per tor		
Close	7305-15	7425-30
Previous	7345-55	7465-70
High/low		7560/7390
AM Official	7420-25	7650-55
Kerb close Open int.	73,404	7395-400
Total daily tumover	9,983	
TIM (\$ per torme)	3,000	
Close	6110-20	6200-10
Previous	51 <del>0</del> 0-70	6255-60
High/low	0100-70	6280/6160
AM Official	0105-75	8255-85
Kerb close		6160-70
Open Int.	21,062	
Total daily turnover	3,074	
<b>ZINC, special hig</b>	h grade (\$ per	tonne)
Close	1137-38	1160-61
Previous	1161.5-52.5	1174-75
High/law .	1165.5	1180/1155
AM Official	1165-66.0	1177-78
Kerb close		1155-7
Open Int. Total daily turnover	108,097 25,753	
COPPER, grade /		
Close	2672-73	2645-46
Previous	2707-11	2680-84
High/low AM Official	2710 2717-10	2687/2629 2680-82
Kerb close	2717-10	2643-4
Open Int.	222,108	
Total daily turnover	87.925	

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LME AM Official 2/\$ rate: 1.802/ LME Closing 2/\$ rate: 1.8043

	by N M Rothschild	<u> </u>
Gold (Tray az.)	\$ price	£ equiv.
Close Opening	384.20-384.60 384.80-385.00	
Morning fix	384.35	238.816
Albertoon fix	383.60	239.227
Day's High	384,70-385,10	
Day's Low	383.40-383.80	
Previous close	384.90-385.30	
Loco Ldn Meen (	<b>Bold Lending Rate</b>	e (Vs USS)
1 month		5.22
2 months		55.62
3 months		
Silver Fix		US cts equiv.
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	320.80	321.20
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a months	334.05 346.70	534.85 583.20
a months 1 year	346.70	553,20
a months 1 year Gold Coins		553,20 £ equiv:
a months	346.70 \$ price	553,20

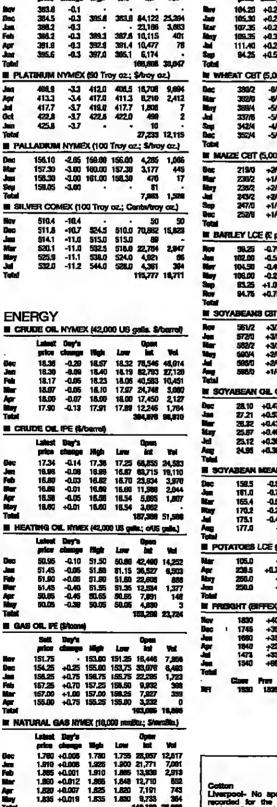


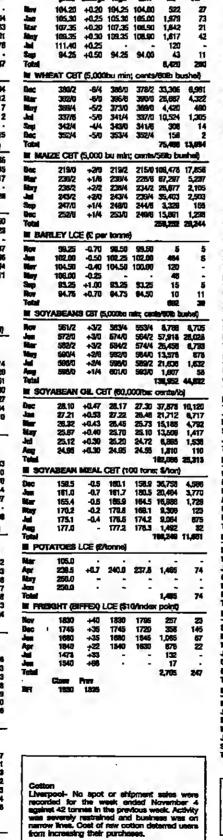
III UNILEADED GASOLINE

MYMEX (42,000 US galls.; c/US galls.)

Open let

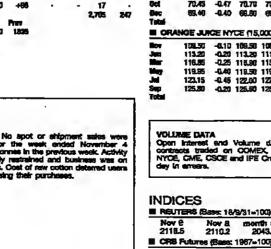
58.10 27,568 23,731 55.00 20,190 8,996 54.80 7,387 3,468 - 4,058 421 58.30 4,916 489 - 1,620 233





GRAINS AND OIL SEEDS

WHEAT LCE (E per tonne)



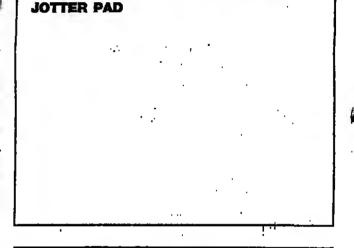
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7	3478	-37 -27	3550 3515	3483	3,425	1,720
	\$413	-27	3488	3413	1,511	224
	3405	-23	3470	3405	1,583	4,882
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al .					<b>65,283</b> 2	3,000
	ON NYC					
	77.25 73.85	-0.74 -0.78	72.50 74.40	71.90	21,348 18,349	
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973 +6 977 971 14,901 258 985 +6 988 985 8,587 31	Apr 68,900 -0,075 70,000 69,450 15,357 1,2 Jun 65,525 -0,100 65,625 65,425 5,091 5
997 +4 1004 997 12,889 248	Aug 64.200 -0.150 64.250 64.050 1,571
1013 +3 1021 1013 9.674 316 112,137 4,778	Oct 65.150 +0.025 65.250 65.000 302 Total 75.751 11,8
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1291 -9 1301 1284 13,517 3,265	
1327 -12 1339 1324 33,296 3,228 1354 -9 1363 1351 8,282 158	Feb 36.675 +0.175 36.700 36.150 10.275 2,6 Apr 37.400 +0.175 37.450 36.850 5.098 91
1382 -8 1386 1382 3,440 155	Apr 37.400 +0.175 37.450 36.850 5.098 90 Jun 42.700 +0.250 42.750 42.200 2.565 2
1405 -8 1,499 2	Aug 42,150 +0,150 42,150 41,850 508
1435 -6 1440 1433 5,074 29 77,082 7,196	flat 39.200 +9.250 39.250 39.000 403 5 Tetal 20.142 8,2
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Price Prot. day	Feb 40,900 +0,425 41,200 40,425 6,079 2,21
965.12 961.66	Mar 41,075 +0.200 41,400 40,850 1,200 12 May 42,050 +0.300 42,400 41,850 324 2
AFFEE LCE (\$/tonne)	Jel 42,900 +0.175 43,200 42,400 337 2
3468 42 3535 3469 428 45	Ang 41.625 +0.175 42.200 41.700 84 1 Total 10.634 2.35
3517 -51 3800 3505 12,345 2,321	
3478 -37 3550 3463 8,235 1,720 3446 -27 3515 3440 8,426 355	
5413 -27 3488 3413 1,511 224	LONDON TRADED OPTIONS
3405 -23 3470 3405 1,583 217 27,648 4,882	Strike price \$ tonne Calls Puts
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186.90 -2.10 192.50 185.10 8,856 8,862	(99.7%) LME Jan Apr Jan Apr 1825 79 117 64 92
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PFEE (ICO) (US cents/pound)	2700
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7 PREMIUM RAW SUGAR LCE (cents/los)	3450 240 340 173 312 3500 215 316 196 340
13.00	III COCCA LCE Dec Mar Dec Mar
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1,180 -	BRIENT CRUDE IPE Nov Dec Nov Dec
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361.70 -0.80 371.50 369.00 2,270 921 363.20 +0.20 363.90 361.60 0,352 637	1700
358.50 +0.10 358.70 357.80 3,394 577	1017011 0007 1117
350.80 +0.30 391.50 350.00 2,758 253 325.20 +0.10 325.00 325.00 1,113 86	LONDON SPOT MARKETS
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19,000 2,794 GAR *11" CSCE (112,000lbs; cents/lbs)	Dubei \$16.11-8.18z +0.186 Brent Biend (dated) \$17.45-7.47 -0.040
13.15 - 13.22 13.07 103,020 11,577	Erent Blend (Dec) \$17.33-7.35 40.100
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12.46 +0.05 12.45 12.35 18,265 2,278 12.00 +0.05 12.05 12.00 2,884 818	Premium Gasoline \$171-174 -1 Gas Oil \$157-158 +1
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TTON NYCE (50,000lbs; cents/fbe)	Naprifra \$171-173 +2.5 Jet fuel \$179-161
72.25 -0.74 72.50 71.90 21,348 4,145	Diesel \$162-163 +1
73.85 -0.78 74.40 73.50 18.349 2.867	Petroleum Argus. Tel. London (071) 359 8792
75.05 -0.57 75.00 74.65 7,265 279 75.40 -0.67 75.00 75.40 4,379 362	
70.45 -0.47 70.70 70.50 900 -	Gold (per troy oz) \$ \$384.40 -0.70 \$ \$ 522.5c -4.0
89.40 -0.40 69.80 69.40 3,927 137 85,006 7,833	Platinum (per troy oz.) \$406.75 -2.00
ANGE JUICE NYCE (15,000lbs; cents/lbs)	Palledium (per troy oz.) \$157.25 +0.25 Copper (US prod.) 129.0c -1.0
108.50 -0.10 109.50 108.25 340 39	Leed (US prod.) 40.75c -
113.20 -0.20 113.29 117.90 14,817 1,299 116.85 -0.25 116.90 115.75 5,525 367	Tin (Kusta Lumpur) 15.59c +0.09 Tin (New York) 285.5c -0.5
119.95 -0.40 118.90 119.25 1,542 175	Cattle (Irve weight)† 115.20p n/c *
123.15 -0.45 122.00 122.00 910 1 125.80 -0.20 125.90 125.00 1,244 225	Sheep (I've weight) 101.17p +2.27*
28,145 2,130	Pigs (five weight) 75.18p +0.51* Lon, day sugar (raw) \$327.00 -3.80
	Lon. day sugar (wte) \$376.50 -0.40
	Tate 6. Lyle export £316.00 -1.00
	Designs from Sandi Ilan
UNIE DATA	Berley (Eng. feed) Unq. Matze (US No3 Yellow) 132.0y
n Interest and Volume data shown for rects traded on COMEX, NYMEX, CET,	Barley (Eng. feed) Unq. Matte (US No3 Yellow) 132.0y Wheat (US Dark North) 165.0u
Interest and Volume data shown for	Berley (Eng. feed) Unq. Matze (US No3 Yellow) 132.0y Wheat (US Dark North) 185.0u Rubber (Dec)♥ 85.75p Rubber (Jan)♥ 85.25p
in interest and Volume data shown for rects traded on COMEX, NYMEX, CST, E, CME, CSCE and IPE Crude Oil are one	Barley (Eng. feed) Unq. Maize (US No3 Yellow) 132.0y Wheat (US Dark North) 165.0u Rubber (Pect) 85.75p Rubber (Jan) 86.25p Rubber (RI, RSS No1 Jul) 342.0m 1.0
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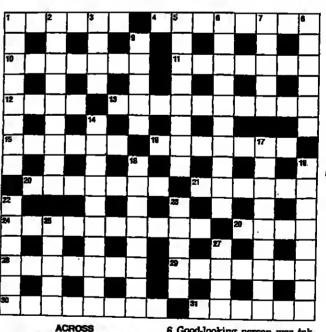
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	Rubber (ALRSS Coconut Oil (Phil
	Paim Of (Malay.) Copra (Philis Soyabeans (US) Cotton Outlook'A



#### **CROSSWORD**

No.8,607 Set by GRIFFIN



during dance! (8)

10 Terrible wind forced MEP to by going outside (7) 11 It's a strange thing, is percep-12 Travel free to the centre of

to give drink to mole

man imprisoned (7)
21 Go before two soldiers (6)
24 Being victorious by Advent, finished first (10)
25 Mum turned to go (4)
28 It needs an intelligent chap around here! (7)
29 Changed result. MO made to

29 Changed reply MO made to "synthetic material" (7) 30 Possibly tries tea-making pamphlet (8) 31 Reprove retiring fellow seek-

Celabrity on list laft off embracing one musician (8) Next time I made stew (9) Snooker players use these Snooker players use three when speaking (4) French friend with a me

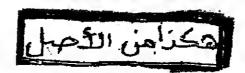
 Good-looking person was tak-ing girl's kitchen cleaner (10)
 Can stand around Gateshead hospital when dark (5)
8 Uproar after court members start yelling (6)
9 Second filer is back on board

14 Produce airmen in court showing theatrical skill (10) showing theatrical skill (10)
17 Poor actor enters, nude as could be, unrepentant (9)
18 A man turned up in men's clothes (8)
19 Her Brent organisation is for religious body (8)
22 While talking saw Elizabeth Sweet? (6)

Sweet? (6)
23 Spin round, point to bird (5)
25 One didn't want to leave home (5) 27 Pop round the local, making

Solution 8,606





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OVENIBER IN IMA

#### LONDON STOCK EXCHANGE

## Election news gives strong boost to equities

By Steve Thompson

A hurst of strength hy the dollar, which helped stimulate a round of big gains across international bond markets, provided the perfect trigger for a London stock market primed to move ahead yesterday.

The wave of Republican victories in the US mid-term congressional elections set the scene for international markets, with the dollar racing higher as the election news swept around the world, boosting bond and equity markets.

The eupboria produced by the dollar saw the FT-SE 100 Index penetrate the 3.100 mark in midsession before coming off the top minutes before the close of trading and settling a net 35.8 up at 3,099.6.

The late downturn in London came in the wake of a sharp setback

on Wall Street, where the Dow after a near 50-point rise in the mar-Average, up 38 points shortly after the opening, was virtually level as London closed and down almost 10

points an hour or so afterwards. Traders in London professed concern at the slide on Wall Street. which they said led to some determined selling of the Footsie future after hours. 'We felt very firm all day, but things are getting confused now; Wall Street remains the key to European markets," said one dealer. He added that the next phase of the series of US bond auctions, which total \$29bn, would be crucial to the market's performance, as would the Bundesbank meeting today.

A senior marketmaker at one of the big European securities houses adopted a more positive view of the market, taking the view that a bout of profit-taking had been expected

ket. "I think we'll be fine, as long as we can hang on to close above 3,100 at the end of the week," he said. One real bonus for the market

post the US elections was the sharp increase in the level of business yesterday. Turnover expanded rapidly to reach 728.3m shares, the highest for almost a mouth. It was pointed out, however, that "bed and breakfast", or tax-related deals, accounted for at least 15 per cent of that total. A large number of these trades were said to have been executed by UBS, the Swiss securities house. There are rumours in the market that the UK chancellor of

November 29 hudget. The FT-SE 100 began the session

the exchequer could include moves

hoisting their opening prices and pushing the 100-index up 12 points. Buying interest from international institutions began to gather momentum in mid-morning, when dealers picked up hints of a strong opening by Wall Street, and the index surged ahead to the day's peak of 3,112.0 shortly before US markets came in.

Thereafter all eyes were fixed on the dollar and the Dow Jones Industrial Average, with debt products helping to sustain equities until just before the close of trading. interest in the market's second

liners was much more subdued and

the FT-SE Mid 250 Index could manage only a 13.6 rise at 3,533.3.

The demolition of the Democrats

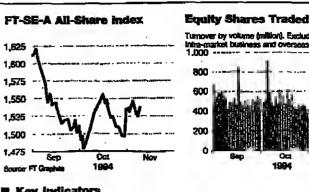
to probibit such deals in the in the US saw UK drugs stocks surge ahead, with analysts taking in fine form, with marketmakers the view that capping of drugs

prices as part of the US health care reforms proposed by the Clinton administration would be much harder to implement after the Republicans gained control of the two houses of Congress.

Cable and Wireless was one of the Footsie's worst performers as the market showed its disappointment with the poor figures from the company's Mercury telecoms division. Bank shares attracted strong sup-

port, especially NatWest, where the recent flow of ADRs, resulting from NatWest's acquisition of Citizens Financial, and a major drag on the NatWest share price, was said to have dried up. Utilities suffered from the Labour

Party's proposals for the imposition of a mixture of windfall taxation and a public dividend on the water S Spirits, Wines & Cider. and electricity companies.



Key indicator:	5	
ndices and ratios		
T-SE 100	3099.6	+35.6
T-SE Mid 250	3533.3	+13.6
T-SE-A 350	1553.6	+15.2
T-SE-A Al-Share	1536.63 ·	+14.21
T-SE-A All-Share yield	3.94	(3.97)

8	est performing sectors
1	Tobaco
2	Pharmaceuticals
3	Consumer Goods
4	Gas Distribution

# Turnover by votume (million), Excluding

3	est performing sectors	
	Tobaco	+3.0
!	Pharmaceuticals	+2.8
ì	Consumer Goods	+1.7
ļ	Gas Distribution	+1.6

FT Ordinary index FT-SE-A Non Fins p/e 18.72 (18.61) FT-SE 100 Fut Dec 3116.0 +45.0 Long gilt/equity yld ratio: 2.23 **Worst performing sectors** 

2376.6

+28.1

#### 1 Water ......

#### 2 Health Care ..... 3 Household Goods 4 Other Services & Bens ..... Extractive Inds .....

# **US** poll

Leading pharmaceuticals companies dominated the business in London as traders reacted enthusiastically to the political changes in the US and the consequent jump in the

ton health care reforms. There is clear that the political

Stock index futures moved

ahead strongly, leading the

cash market for most of the

sion and racking up the

3090.0 8116.0 3141.0 8135.0

FT-SE 100 INDEX FUTURES (LIFFE) 225 per full index point

W FT-SE MID 250 MOEX PUTURES (LIFFE) \$10 per full inches point

III FT;SE MID 250 INDEX PUTURES (OML) \$10 per full index point

MI FT-SE 100 INDEX OPTION (LIFFE) ("3101) £10 per full index point

IN EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

- 3540.0 -

All open interest figures are for previous duy, ? Exact volume shows,

3650.0 3560.0 +36.0 3560.0 3560.0

best day's trading volume for

was a rush of London huying and some dealers suggested

However, analysts com-mented that the political moves were unlikely to have

changes have given a sentimental boost to the sector hut, for the longer term, we would focus on the changes already in the market place."

SmithKline Beecham was the most heavily traded stock in the market with combined turnover in the "A" shares and Units hitting 18m The "A"a rose 121/2 to 4211/2p and the Units 11 to 382p. Glaxo jumped 19% to 617p on turnover of 15m shares, although 4m of those represented one side of a taxrelated deal. Fisons, up 5 at 121p and continuing to attract hid speculation, saw 8.7m shares dealt in the underlying market and was the most heavily traded stock option on

the Liffe. Wellcome rose 20 to work for peace talks in North-664p and Zeneca 14 to 871p.

#### **Utility womies**

Utility stocks moved against a strong market trend after Mr Gordon Brown, the shadow chancellor, stressed Labour party plans for a windfall tax on the privatised water and

electricity companies. Norweh closed 4 lower at 812p and Midlands Electricity surrendered 8 to 780p. York-shire Electricity eased 3 to 740p, altbough Nortbern Ireland Electricity moved against the trend to close 6 ahead at 375p on talk of a break-through in the frame-

TRADING VOLUME

1.000 1.500 2.500 2.500 2.500 2.500 2.100 2.100 2.100 2.100 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000

Vol. Closing Day's 000s price change

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ern Ireland.

Among water shares, Thames retreated 7 to 503p and Anglia, which reported figures earlier this week, gave up 10 at 524p, Sonthern was 8 lower at 589p, While Northumbrian slipped 8 to 696p ahead of

today's interim figures.

Mr Nigel Hawkins at Hoare Covett said the reaction of the stocks to the speech "serves to remind investors of the political risks attached to utility stocks".

Commercial Union was restrained by market caution following third-quarter results. The profits of £305m were near the top of the range of forecasts, but Credit Lyonnais Laing said it showed that CU's rate of improvement bad slowed and some analysts argued that the 20 per cent premium of the share price to net asset value was too high. The shares closed unchanged at 543p, while Royal Insurance, reporting today, firmed 2 to 300p and General Accident

Cable and Wireless shed 7 to 392p in turnover of 12m as analysts moved rapidly to downgrade profits forecasts follow-ing a disappointingly weak interim performance from the group's Mercury arm.

The group as a whole turned in half-time growth of 11 per cent but Mercury, hit by price competition from BT and regulatory pressure on revenues. saw operating profits slide 3 per cent. NatWest Securities promptly chopped its annual

#### **NEW HIGHS AND** LOWS FOR 1994

BANGS (1) BENCE BEDSO VICTORIA, BUILDING & CHISTRIN (1) BENCE BEDSO VICTORIA, BUILDING & CHISTRIN (1) Miroplane, DISTRIBEUTORIS (5) FISHER Prices, Finalist, Middlessee, ELECTRING & ELECT ECHIP (4) Mirguarin Power, Tacipole Tech Telepoc, Thorpe F.W I, EXTRACTIVE MIDS (3) Caledona Mining, Gencer, Gwiste Cons, LIFE ABSURANCE (1) Liberty Life Assoc of Africa, OTHER FINANCIAL (1) Ecriburgh Fund Man, and Release (1) Bentaury. OTHER FINANCIAL (1) ECHOUR OTHER SERVE & BUSINS (1) Be

PHARMACEUTICALS (1) Ze PAPER & PACKG (1) James Porter, RETAILERS GENERAL (1) GOLDMINE, SUPPORT SERVS (1) Computer People, TEXTILES & APPAREL [1] Chemportein Phops, TRANSPORT [1] Jacobs

MEW LOWS (74).
BANKS (2) Missubsts, Surroome, Billinger Banks (2) Missubsts, Behavior, Chemicals (1) Camerisona, Distributors (5) Security Motor, Hambs, Heaster, Calcia, Welpas, Diversiber Berlaf (1) Avaterer 8, ELECTRIMC BLECT EOLIP III Rondon, BINGSNERTHING (1) Whitmen, END, VEHICLES (1) Inghis properties (1) Avater Banks (1) Missubstantia, Distributor Banks (1) Missubstantia, Banks (1) Missubstantia (1) London & Monchestre, Marcha Apports, Banks (1) Missubstantia (1) Lindon & Monchestre, Missubstantia (1) Biomebury, Oille Edworkship (1) Missubstantia (1) Lindon & Missubstantia (1) Lindon (1) Stanfas Energy, Others Financial, (1) Indon Nordek (1) Prince (1) Apples (2) Prince (2) Apples (3) Prince (3) Apples (4) NEW LOWS (74.

RETALERS, GENERAL IS Essen Raviture, I Art Devips., Orderne, Rivino, WEW, SPIRITS, WANES & CEDERS IS Member Clork, Merrydown, SUPPORT SERVIS (2) Desham Telnocropushy, JPA, Spergo, TESTILES & APPAREL, (4) Band (Nr.), Castle Mill, Readle SEET, TRAMSFORT (1) Verd, AMERICANS ( Bethlehem Size), Dun 4 Brackstver.

PROPERTY (II) RETAILERS, POOD (1) Six

profils estimate for C&W by £90m to £1.1bn, and anecdotal evidence supposts that some other bouses took an even more cautious line.

BT, which unveils interims today, and Vodaphone were clear beneficiaries of some heavy switching out of C&W,

RIZ 800 42 65% 46 2 15 30 (138 ) 650 9 35% 45 18% 35% 53% Rectand 450 11% 28% 25% 5% 19% 33 (462 ) 500 1 12 20 37% 43 59% Royal traces 300 8 21% 27% 7 17 22% (2300 ) 300 1 8°1 16 29% 35% 41

Tesco 240 57/ 151/ 27 31/ 191/ 16 1242 ) 269 - 7 12 18 22 271/ Vocatione 200 124/ 19 251/ 1 7/ 101/ 1211 ) 217 3 101/ - 6 151/ - Withers 325 25 - 1 - 1 - 1349 1 354 47/ - 101/ - -

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Amstral 25 44; 5 8 4; 14; 2
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Dec Mar Jum Dec Mar Jim

Option

with the former up 81/2 to 393p on 8.1m shares traded and Vodaphone gaining 6 at 211p.

Shares in high street retailer Boots retreated 4 to 516p, with Smith New Court reported to have turned negative on the stock and been the day's main seller of the stock.

A story doing the rounds suggested that Boots had rejected an offer for its pharmaceuticals division DM2.5bn from BASF the German chemicals group, because it did not want the company to be relocated away from its Nottingham headquarters.

High street clearing bank Barclays moved up 9 to 598p as it confirmed that it was in negotiations with the New England hank Shawmut National over the sale of its US subsidiary Barclays Business Credit. Press reports have suggested the sale could reap between \$200m and \$400m. Furniture group MFI

responded to a strong recommendation and upgrade from Morgan Stanley. The broker raised its current year profits forecast by £5m to £97m.

Marks and Spencer stayed weak following Tuesday's cautious comments from the company surrounding the release of interim results. The shares eased 2 to 402p.

Hopes of a shake-up in UK gaming laws, hinted at by the Home Secretary, led to demand for several stocks. Ladbroke, which publishes its third-quarter trading update today, firmed 4 to 153p, and

Also better on the same specia lation was London Clubs up 8 at 261p.

The world's bigyest glass-maker, Pilkington, fell 4 to 188p with a sizeable line of stock said to be overhanging the market.

International trading conglomerate Lonrho had another hectic day, with 3.9m shares traded and the stock gaining a

further penny at 152%p. Since the announced departure of joint chief executive Mr Tiny Rowland, the shares have put on 15 per cent and some brokers now feel uneasy with a prospective p/e ratio approaching 30. NatWest Securities is one of the more sanguine houses, estimating break-up

net asset value at 175p.

Amersham International fell 63 to 928p as analysts reduced forecasts in the wake of disappointing interims. The range of full-year estimates came back to between £47m and £50m.

Campari International recovered 4 to 25p as It was announced that a company known as Blueridge Ltd had acquired almost 11 per cent of the laisure and sportswear group. Campari was trying to establish last night who was behind Blueridge and whether the stake had been acquired for investment purposes or prior to a bid approach.

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown.

■ Other statistics, Page 25

## boost for drugs

The Rapublican victories were perceived to have removed the threat to pricing and profits posed by the Clin-

EQUITY FUTURES AND OPTIONS TRADING

Open Sett price Change High Low Est. vol Open Int.

that one beavy-hitting US mutual fund was also piling into the sector via the anonyminity of the inter-dealer broker (IDB system).

much impact on an industry which had already been forced to change. Managed care groups, which provide health care to around 55m Americans, have discovered their buying power over the past few years and forced prices down. Mr Paul Krikler of US investment bank Goldman Sachs said: "It

soma weeks, writes Jeffrey

Contract numbers powered

ahead to 15,363 from 10,862

on Tuesday, and with spread

+45.0 8136.0 3085.0 17090 52783 +45.5 3141.0 3135.0 40 4252 +45.0 0 60

trading holding at nominal levels it was neerly all genuine The FT-SE 100 December contract was 3,115 at tha official 4.10pm close, up 44 points. The premium to cash equities was 14 points, with

fair valua premium running at around 7 points. Traders said the improvement in activity was the most striking feature of the session, with much of the day's buying pressure coming from US houses, notably

Goldman Sachs. The contract lost some of its impetus in the final hour of trading, and the premium to cash equities, which had been 20 points for much of the session and underpinning a reasonable level of arbitrage business, narrowed.

The key to further upwards progress is clearly Wall Street, which showed signs of flaggging towards the end of the London day. In late, screen

29065 2976 3025 3075 3125 3175 3225 3275  Borv 188 <sup>1</sup> 2 2 141 <sup>1</sup> 2 5 97 10 58 21 28 41 11 <sup>1</sup> 2 74 <sup>1</sup> 2 4 116 <sup>1</sup> 2 1 <sup>1</sup> 2 163 <sup>1</sup> 2  Doc 280 <sup>1</sup> 2 181 <sup>1</sup> 2 168 <sup>1</sup> 2 20 <sup>1</sup> 2 181 <sup>1</sup> 2 41 981 <sup>1</sup> 2 58 70 <sup>1</sup> 2 78 <sup>1</sup> 2 47 <sup>1</sup> 2 108 29 187 <sup>1</sup> 2 17 175  Jun 230 37 198 <sup>1</sup> 2 45 188 <sup>2</sup> 2 59 128 78 180 100 <sup>1</sup> 2 78 128 58 <sup>1</sup> 2 158 <sup>2</sup> 2 48 <sup>2</sup> 2 191 <sup>1</sup> 2  Jun 298 75 <sup>1</sup> 2 188 81 <sup>1</sup> 2 131 <sup>1</sup> 2 121 <sup>1</sup> 2 97 175  Jun 298 75 <sup>1</sup> 2 282 <sup>1</sup> 2 106 174 144 <sup>1</sup> 2 125 <sup>2</sup> 2 192  Call 2.47 Pols 86 <sup>1</sup> Underfying Indice which Presidence shown are based on authorized prices.  The Christoff of the Control of th								175	flaggg the Lo trading slippe Trac	showed ing town on don condon	vards i day. In lecemi w 3,10 tions a	is of the en tate, s ber co to.	d of screen intract	
Oct	400 3450	113% 53½ 88% It prices and volumes are tel					3700	0 2750		28,478 on Tuesday, with FT-SE and Euro FT-SE husiness coming to 15,854.  The UK Series				
							_			husine			_	_
	O Satisment price		Shar	e In	CICES Day's		Nov 7	Nov 4	Year'	DIV.	Earn.		_	eries
FIR	SE Actu		Shar	O 10 Nov 9	Day's chga%	Nov 8	3065.6	3097.8	3088.5	Div. ylekt% 4,11	Ezm. yield% 7.05	P/E ratio	Xd adl ydd	Yotal Return
	SE Actu		Shar	Nov 9 3086.8 3633.3	Day's chga%	Nov 8 3063.8 3516.7	3065.6 3520.)	3097.8 3534.6	3088.5 3440.4	Div. ylaki% 4,11 3,55	Earn. yield% 7.05 5.80	P/E retio 18.76 20.82	Xd ad. ytd 111.96 113.51	Total Return 1178.53
FT-SE 100	SE Actu	aries	Shar	O 10 Nov 9	Day's chga%	Nov 8 3063.8 3516.7 3521.7	3065.6 3520.) 3522.3	3097.8 3534.6 3534.2	3088.5 3440.4 3441.1	Div. ylekt% 4.11 3.55 3.71	Earn. yleid% 7.05 5.80 6.27	P/E retto 18.75 20.82 18.39	Xd ad. yxd 111.98 113.31 117.70	Total Return 1178.53 1320.93 1318.53
FT-SE 100 FT-SE Mic FT-SE Mic	SE Actu	aries	Shar	Nov 9 3086.8 3633.3	Day's chge% +1.2 +0.4 +0.3 +1.0	Nov 8 3063.8 3516.7 3521.7 1638.4	3065.6 3520.) 3522.3 1639.2	3097.8 3534.6 3534.2 1552.9	3088.5 3440.4 3441.1 1544.0	Div. ylek7% 4.11 3.55 3.71 3.98	Earri. yield% 7.05 5.80 6.27 6.78	P/E ratio 18.76 20.82 18.39 17.53	Xd ad. ytd 111.96 113.51 117.70 54.71	Total Return 1178.5: 1320.9: 1318.5: 1208.1:
FT-SE 100	SE Actu	aries	Shar	Nov 9 3099,8 9533,3 3533,5	Day's ches% +1.2 +0.4 +0.3 +1.0 +0.2	Nov 8 3083.8 3516.7 3521.7 1638.4 1778.24	3065.8 3520.) 3522.3 1639.2 1778.71	3097.8 3534.6 3534.2 1552.9 1781.73	3088.5 3440.4 3441.1 1544.0 1771.77	Div. yiek7% 4,11 3,55 3,71 3,98 3,32	Earn. yleid% 7.05 5.80 6.27 6.76 5.00	P/E retio 16.76 20.82 18.39 17.53 25.24	Xd ad. ytd 111.96 113.51 117.70 54.71 50.62	Total Return 1178.53 1320.93 1318.33 1208.13 1387.50
FT-SE 100 FT-SE Mic FT-SE-A 2 FT-SE-A 2	SE Actu	arios	Shar	Nov 9 3089,8 3533,3 3533,5 1553,6	Day's chee% +1.2 +0.4 +0.3 +1.0 +0.2 +0.1	Nov 8 3063.8 3516.7 3521.7 1638.4	3065.8 3520.) 3522.3 1639.2 1778.71- 1748.68	3097.8 3534.6 3534.2 1552.9 1781.73 1750.80	3088.5 3440.4 3441.1 1544.0 1771.77 1757.02	Div. yiek7% 4,11 3,55 3,71 3,98 3,32	Farn. yleid% 7.05 5.80 6.27 6.76 5.00 5.56	P/E ratio 18.76 20.82 19.39 17.53 25.24 22.99	Xd adl yrd 111.96 113.51 117.70 54.71 50.62 52.65	eries Total

FT-SE SmallCep ex inv Trusts FT-SE-A ALL-SHARE	1750.05				1538.05	1529.31	3.84	5.64	17.92	53.48	1215.07	SCH trenspot
FT-SE Actuaries All-S			144					•••				Johnson Meliney
I FI-SE ACULARIES AIR-O		Day's		No. 7	N- 4	Year	DIV.			(c) act		Kingfehert Knok Seve
	Nov 8			Nov 7	Nov 4	ago	_	,	ratio	ytd	Return	Lactirotes? Land Securities?
10 MINERAL EXTRACTION(18)	2715.98					2472.30		8.04		89.83	1096.48	Laporte Lagai & General
12 Extractive Industrice(4)	3794.63					3023.20		5.41		98.62	1047.10	Lloyds Abbey
15 Oil, integrated(3)	2695.54					2487.80		5.57	22.34		1113.15	Lloyds Benkt LASMO
18 Oil Exploration a Prod(11)	1878-87			_		1898.30		‡		38.03	1085.92	LASMO Landon Bert
20 GEN MANUFACTURERS(267)	1874.80					1903.10		5.13	23,64		859.24	Lento
21 Building 2 Construction(33)	1000,10	+1.1	1048,50	1045.60	1049.26	1135.50	8.74	5.29		35,33	835.57	MEPCT
22 Building Mattle 2 Merchs(32)	1844.50	+1.1	1824.85	1816.90	1834.77	1885.40	4.04	5.27	23.05		873.69	Military
23 Chemicalo(23)	2277.45	+0.2	2270.10	22/6.5	2302.47	2161.30	4.07 5.12	4.53 5.14	27.60 23.36		920.59	Marineti Marineti
24 Diversified Industrials(16)	1709.99					1979,10 2086.00		6.63	17.86		827.48	Marks & Spencer Midlands Bect.
25 Electronic a Elect Equip(34)	1892.00 1806.14					1714.30		5.00	23.72		1036.94	Monteon (Whi.)
26 Engineering(71)	2295.96	+0.7	2070 17	2272 (1	2288.44	1956.60			100.08			Nerviest Bankf
27 Engineering, Vehicles(12)	2802.04		2780 0	2782.0	2792.43	2384.40		5.89	21.70		1104.67	National Power
28 Printing, Paper a Pokg(26) 29 Textiles a Apparel(20)	1551.57					1915.80		6.97	17.58	81.29	885.52	Plant West Water
						2727.50		7.25	15.91	109.09	958,72	Northern Elect
30 CONSUMER GOODS(87)	2771.75 2239.37					2003.80		7.88			1003.33	Northern Foods†
S1 Brewerlea(17)	2880.36		2010 7	2805.6	2842.12	2579.40		6.76	17.03 1			Pennont
32 Spirits, Wines 2 Cidere(10)	2299.56		2280 47	2284.B	2203.73	2282.80		7.63	15.14		971.71	Paot
33 Food Manufacturara(23)	2369.68		2384.4	2398.8	2411.01	2659.80		7.86	16.62	59.98	858.15	Petington PowerGent Prudentiel?
34 Household Goods(13) · . 36 Heelth Care(21)	1588.74	-0.7	1509.54	1605.20	1618.50	1064.70	3.18	3.39	41.80		925.63	Pruderital
37 Phermaceuticals(12)	3085,99	-01	3000.5	2994.5	3035.54	3058.10	4.37	6.98	16.57			PMCT RTZ†
38 Tobacco(I)	3733.14	+9.0	3624.09	3618.8	3640.86	4191.60	5.81	9.21	11.66 2	217.07	851.56	Recei
	1906.53					1857.40		6.58	18.40	52.30	938.31	Recktt & Commer
40 SERVICES(219)	2548.03	40.4	2696.0	2531.6	2529.44	2833.50	3.71	7.21	16.41	B5.25	886.77	Rediend
41 Distributors(30) 42 Lateure 2 Hotels(25)	2050.49	+1.4	2021.6	5 2021.2	2 2028.74	1902.40	3.35	4.87	24.19		1013.76	Reed Ind.†
42 Lelaure 2 Hotels(25) 43 Media(29)	2854,72	+1.1	2828.7	7 2841,0	2858.93	2600.40	2.43	5.25	22.20		993.50	Rentokit Peuterat
44 Retailers, Food(16)	1747.19	+1.4	1723.6	1722.3	5 1726.17	1500.00	3.73	9.17		52.27	1048.49	Rolls RoyceT
45 Retailers, General(45)	1604.74	-0.1	1606.84	1614.2	1619.42	1684.80	3.33	7.07	17.69 18.51		858.91 930.28	Ryl Bk Scotland
48 Support Services(41)	1526,09		1514.8	¢ 1511.8	2 1524.61	1616.50	2.79	6.36 6.27	16.80		885.34	Royal treurence!
49 Transport(16)	2252,75		2238.3	1000	2261.CR	2206.20		3.13		28.63	1072.15	Schroders† Sociati & New 1
51 Other Services a Business(7)	1245,19					1209.70			_	_		Scot Hydro-Boo
60 UTILITIES(36)	2429.70	+0.6	2414.00	3 2425.8	2448.7	2444.60	4.35	7.80 ·		82.97	939.63	Scottish Power†
62 Electricity(17)	2551,34	+0.2	2546.5	2554,4	2560.60	2111.00	3.59	9.71	12.29	117.96	1061,01 925,91	Sedawick
64 Gas Distribution(2)	1973,23	+1.5	1941.4	1941.4	1938.5	2115.80	4.08	7.74	15.73		866.88	Seeboard
66 Telecommunications(4)	2032,78		2004.10	2020.9	2053.8	2306.70		13.18	8.25		928.87	Severn Trend Shell Transport
88 Water() 3)	1851.98					1825.20				1		Siebet
66 NON-FINANCIALS(837)	1660.83	+1.0	1644,6	1645.14	1858.7	1536.04	3.92	8.42	18,72	56.70	1178.23	Slough Estr
	2192.42	-0.7	2177.65	3 2180.9	2201.54	2290.80	4.41	8.88	13.05	89.85	972.64	Smith (WJ-U Smith & Nephery Smit Beacham)
70 FINANCIALS(104)	2182,42	.46	2000 2	9873L0	1 2896.8	2877,10	4.1/	9.80	11.68 1	16.39	871.14	Smill Beechamit
71 Banks(10)	1255.23	103	1959 3	5 1250.8	5 1274.9K	1447.90	2,38	9.40	12.17		866.84	Smill Beachers U Smills inch.
73 Insurance(17)			3470 A	7 2280 A	7 <i>24</i> 00.1:	2619.70	5,37	7.83	15.57 1	27.82	921.21	Southern Elect †
74 Life Assurance(6)	2380.33 2727.12	.04	2715 A	4 2700.41	3 2722.27	7 3076.00	3,81	10.53	11.00		823,48	South Winter Flect
75 Merchant Banks(6)	1851.01		4044 2	1 1995 2	3 19E3).08	1 <i>72</i> 5.60	3.14	8.48	14.11		998.95	South West Water South West Eeo
77 Other Financial(24)	1439.59	T.	1439.9	1448.0	7 1452.40	1659,40	4.23	4.50	27.88	44.78	825.29	Bouthern Water
79 Property(41)				7 974E A	9797 C	2845.70	2.24	1.96	51.56	56.97	922.63	Standard Chartel.
80 DIVESTMENT TRUSTS(124)	2739.88	+0.2	12717 <u>.1</u>	2/14/6	2101.0	2646,70		6.64	17.92	_		Storehouse Sun Alterce†
89 FT-SE-A ALL-SHARE(985)	1538.63	+0.6	1524.4	2 1525.1	1538.0	1529.31	3.14	0.04	17.56	<b>33.48</b>	1215.07	Tan Ti Geoupt
# Hourly movements												TSB†
Open 9.00	10.0	0 11	.00	12.00	13.00	14.00	15.00				DW/day	1sts 8 tale Taylor Woodrow
2000		7 30		098.3	3111.8	3107.8	3109.				3078.1	Tescut
T-SE 100 3078.1 3080.2				529.8	3535.4	3535.8	3538.				3522.3	Tharnes Water
FT-SE Mid 250 5622.3 3525.0				552.7	1558.5	1556.9	1557.	5 1564	1 )55	8.6	1543.4	Thom ENT Tomerst
FT-SE-A 980 1543.4 1545.4	1040.											Tratalgar House

980.1 991.4 992.8 994.4 1001.3 1002.5 1003.5 1004.4 1004.4 1004.0 997.6 3022.3 3026.9 3033.0 3037.7 3048.7 3056.2 3057.1 3051.2 3057.8 3057.8 3057.8 307.9 1884.7 1882.8 1875.1 1885.4 1987.3 1885.5 1888.8 1881.4 1880.1 1849.7 1880.7 189.7 2810.4 2913.1 2924.3 2927.5 2937.8 2958.3 2954.0 2955.8 2938.7 2933.0 2904.3 Additional information on the FT-SE Actuaries Share Indices is published in Saturday Issues. Lists of constitutes are available from the Financial Times United, One Scatthwark Bridge, Landon SE/I SR. The FT-SE Administ Share Indices Service, which covers is parge of stochools and paper-based United, One Scatthwark Bridge, Landon SE/I SR. The FT-SE Administ State Service, United SE/I ADMINISTRATION OF THE SERVICE SERVICE AND ADMINISTRATION OF THE TIME TO, THE FT-SE Midd 250, FT-SE Administration FT-SE Administration indicates industry between managed FT-SE Administration indicates and the FT-SE Administration indicates indicated the United Regulators and Republic of Indicates and the Faculty of Januaries under a stordard set of ground rules, compiled by The Fittingfall Times Limited 1994. All rights reterved 0 The International Stock Bechangs of the United Regulator and Regulation of the United Service of the United Service Stock Exchange And The First-Set Indicates Indicate International Stock Exchange of the United Regulator International Stock Exchange and The First-Set Indicates Indicate International Stock Exchange And Indicates Indicate International Stock Exchange And Indicates Indicate International Stock Exchange Indicates Indicate International Stock Exchange Indicates International International Stock International Interna

3.00 10.00 11.00 12.00 13.00 14.00 15.00 16.10 Close Previous Change

LIFFE EQUITY OPTIONS

| 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 Amet Dessets 600 28 34 41 21h: 29 40h (\*501 ) 650 5h 16 21 57h 51h 72 Avy4 250 13h 21h; 25 11h 16h 22h (\*264 ) 280 6 13 17h; 23 23 33h; 25 4 55 5 8 54 25 4 5 6 53 ) 70 2 4 57h 50 51h 10h BP 420 21 30 374 12 20 245C424 1 460 5% 13 21 37% 43 47
Brisch Sted 140 15% 23% 26% 2 4 6%
C156 ) 80 8 12 18 94 12% 15%
Base 500 52 56% 63 6% 12% 18%
C548 1 550 18 27 36 28% 35 41% Land Secar 600 27 40 4 47 11h 16h 27h (\*5171 550 7 18 23h 43 45h 57 Marks & S 360 21 31 35 8 13 78 (\*402) 420 7h 16h 20h 24h 24h 25h 34 Mattheat 500 25h 38h 48 14h 31h 35h (\*509) 550 8h 18 27 45 81h 65h Sansbury 330 34 hr 47 52 8 hr 12 19 hr 1419 1 420 16 hr 29 35 hr 18 25 32 Shell fram, 700 35 47 54 51 24 hr 25 hr 750 10 hr 21 hr 21 hr 21 hr 25 hr 55 80 8 9 11 4 6 7½
90 2½ 5 7 10½ 12 13
1100 55½ 76 57½ 17½ 33½ 44½
1150 28 45½ 81½ 45½ 55½ 55½
55½ 45½ 45½ 45½
900 24 37½ 50 45 83 70½
May Feb May Nov Feb May Traisigar (\*82 i Uniferes (\*1134) | Second | S Essero Bec, 800 17 49% 83% 19% 45% 57 Patts ) 850 2 22% 42 52 75 84% Rolls-Royce 160 18 23% 26% - 3 6% Guinness 480 12 25% 23% 3% 11 21% (\*717') 180 2 11% 15% 5% 11 15% C467 1 500 % 9 15% 12% 35 45 SEC 280 6 16 22% 2% 9% 12 C286 1 300 % 7 13 14% 21 23

North America (11)

\* Underlying security price. Premiums shown are based on settlemers prices. November 9, Total contracts: 35,752 Calis: 9,673 Puts, 25,079 FT GOLD MINES INDEX Now % chg Now New Year Gress div 52 week & on chay 7 4 ago yield % High Low Sold Mines Index (34) 2112.83 0.0 2113.52 2127.50 1988.18 2.86 2367.40 1762.02 m Regional Indices 3443.13 -1.4 3493.10 3503 35 2656.80 4.05 3711.87 2304 45 Africa (16)

249 92 -1.8 267.17 2715.90 2339.35 1.88 3313.89 2171.66 1638.17 +1.3 1616.65 1631.19 1746.05 0.82 2039.65 1468.11

#### LONDON EQUITIES

Rank Organisation 10 to 403p.

3	NS				40.7			45	MISES AND FALLS YESTERDAY	Rices	Falls	Surre
				.~					British Funds	68	1	12
	Option				May				Other Food Interest	2	á	12
_	(dynam)		_=				144		Mineral Extraction	83	22	81
•	Harris Call	Z20	13	17	7 20	14	51/2	31	General Menufacturers	168	84	385
	(*232 )	240	11/2	7	18%	B	18	20	Consumer Goods	59	29	99
	Lasmo	134	12		-		-	-	Services	104	77	314
	P145 )	154	2	-		B	_	-	Utetes	15	20	9
	Lucas Inde	180	184	24	28%		31/4	7	Financials	118	81	185
	(198 )	700	4	12	17	514	11%	15%	Investment Truets	184	20	261
		000	_	-4.	7414				Others	58	21	35
,	PEG	600			715		• •					
	(1643)	650		-		14%			Totals	857	335	1393
	Production	180		13Y	18	1	54	64	Data based on those companies listed on the London Share Sec	-		
•	(*167 )	200	٧,	- 5	, 9	)3	17%	20	Date before di mose confesse meri di un min manori di da			
	Prodential	300	21	3074	. 34	1	6	12%				
	P320 )	330	232	13%	173	12	19	27%	TRADITIONAL OPTIONS			
	north .	***	-		-	_		-	Hamilaine At Hand			

TRADITIONAL OPTIONS Calls: Crossroads Oil, Haemocell, Minmet, Potrocettic, Proteus, Reflex, Scotia Hidgs, Tadpole Tech, Tuliow Oil, Wigglins. Puts: Crossroade Oil, Reflex. Puts a Calls: Glasso, Yannac, Wellcome, Wigglins.

**LONDON RECENT ISSUES: EQUITIES** High Low Stock

61<sub>2</sub> 4 APTA Wmts.
88 70 Abriust Listin Am
53 55 D0 Warrants
187 180 \$\frac{1}{2}\text{Addison} Pmtg
75 63 Artesian Ests.
88 65\frac{1}{2}\text{SZNV Commodition}
47 39 D0. Wrts
82 65 \$\frac{1}{2}\text{Commodition}
80 65 \$\frac{1}{2}\text{Commodition}
80 65 \$\frac{1}{2}\text{Commodition}
106 \$\frac{1}{2}\text{Commodition}
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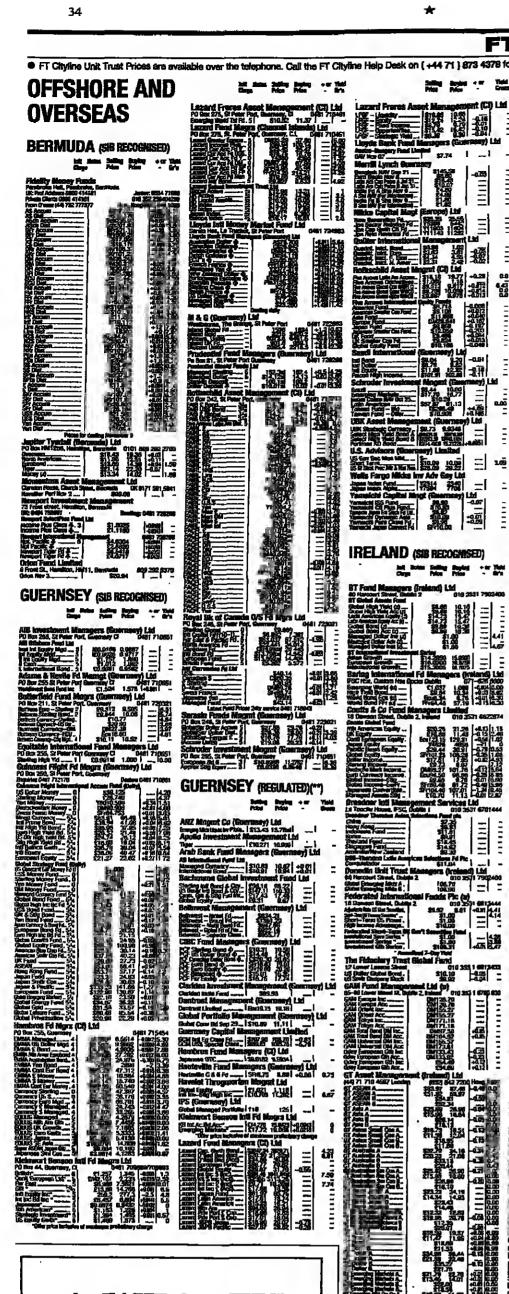
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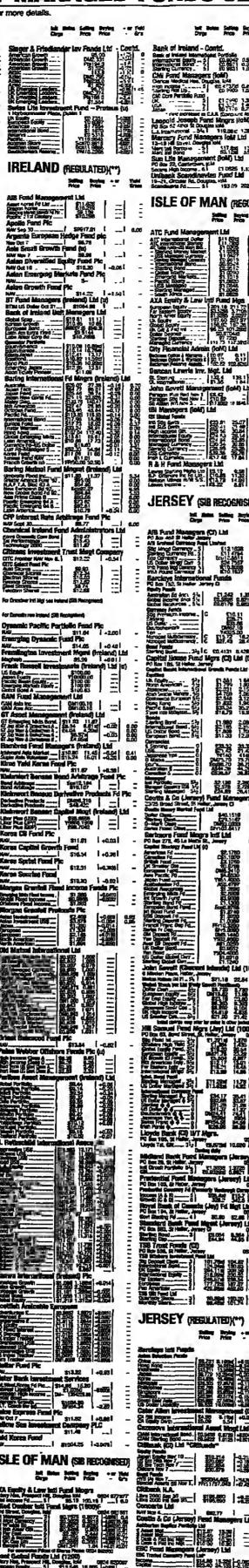
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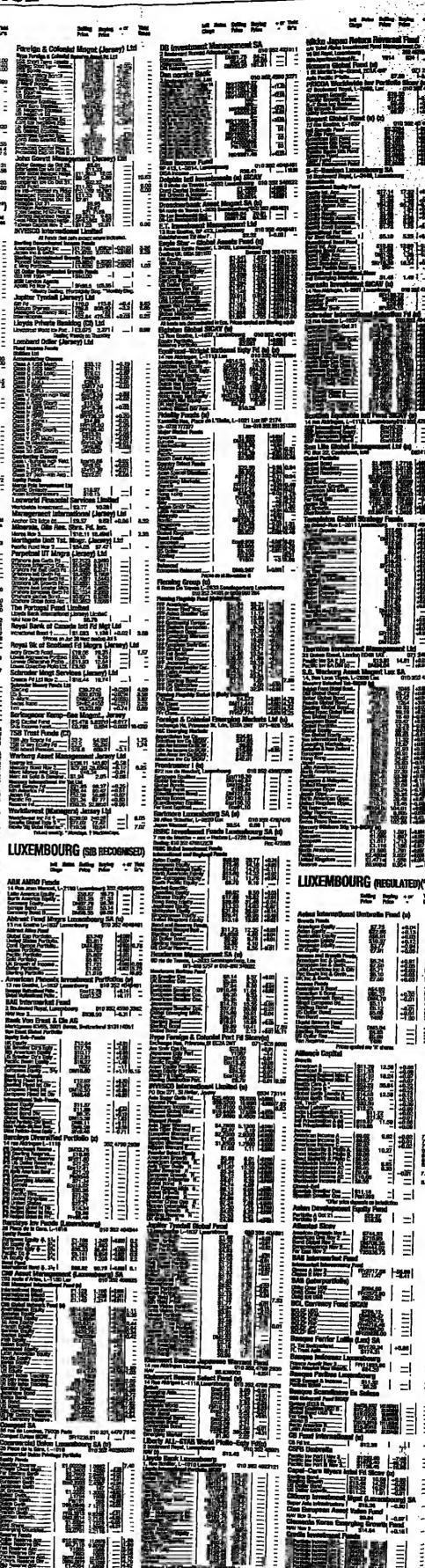
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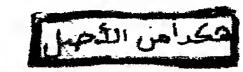


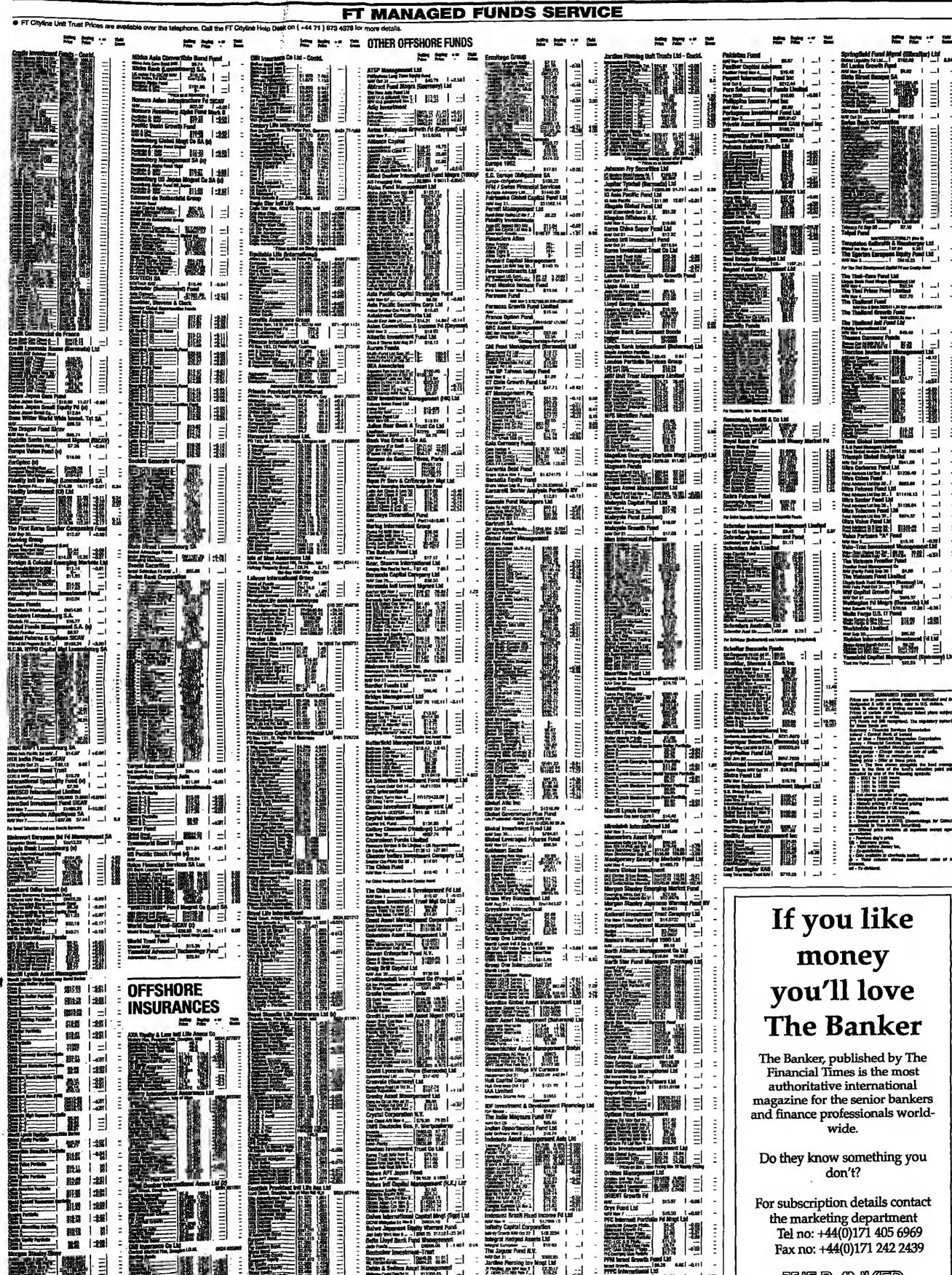


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THE BANKER



FINANCIAL TIMES

1

WORLD INTEREST RATES

MONEY RATES

#### **CURRENCIES AND MONEY**

## Dollar takes fresh heart from US election results

The dollar yesterday rallied on the foreign exchanges as traders took heart from the good showing by Republicans in the mid-term congressional elections, writes Philip Gawith. Analysts were split about the

implications of the results for the dollar, but the market's initial reaction was to assume thet the shift in power towards the Republicans favoured US financial assets and the cur-

The dollar finished in London at DM1.53, two pfennigs up on Tuesday's close of finished at Y97.79, from Y97.005.

Sterling lost 1% cents against the stronger dollar, to finish at \$1.6036, from \$1.6184. It was stronger against the D-Mark. closing at DM2.4534, from

■ Opinions diverged about whether, and why, the election results were important. Some saw them as the catalyst for a

hig turn in the dollar, predi-cated on changes to fiscal policy, and a more aggressive Federal Reserve, released from the perceived constraints of a Democratic presidency.

Others were more cautious but said the election was still part of an important conjuncture of events favouring the dollar. Mr Neil MacKinnon, chief economist at Citibank in London, said the combination of last week's Fed intervention to support the dollar, the election result, and further mone-tary tightening made him much more confident about the

dollar's prospects.

Having been bearish on the
dollar for the past year, the
Citibank analyst said he had now changed his view. "The downside for the dollar is

--- Prev. close --1.6195 1.6158 1.5154 1,6070 1,6065 1,6060

likely to be quite limited. I now believe the dollar goes up from

here."
Mr MacKinaoa said: "The argument is based on the view that what is crucial for the prospects of the dollar is the relative attractiveness of US financial assets." He saw this improving, on the basis of the Fed getting "ahead of the curve" in the hattle against inflation, and this attracting financial flows back to the US. Although investor buying would probably only slow the capital outflow from the US, a the dollar, Mr MacKinnon said it could rise as far as DM1.67

the DM1.77 high it touched last February. Not all observers share this optimism. SG Warburg, for example, forecast the dollar at DM1.35-45 at the end of 1995. Mr Steve Hannah, head of research at IBJ International,

was more sceptical about the

next year. This would be below

Against the D-Mark (DM per S) 1.53 1.51 ~ 2 November 1994 9

said the result might justify a "modest re-rating" of dollar assets. "I would he very sceptical, though, about calling this a change in tread in terms of the dollar's performance." He said the election result had resolved an element of

political uncertainty, but this had not been a significant cause of dollar weakness. "Monetary policy is a 90 per

cent explanatory factor." said Mr Hannah. "Unless the market feels comfortable about the Fed's policy stance, and the election result doesn't alter that, then we haven't really moved on."

The IBJ analysi said the market price was probably exaggerating the influence of the elections. Yesterday's move was a technical short squeeze, rather than a shift in trend. The latter would require aggressive Fed action - two 50 basis point increases in US rates before the ead of the year - and an indication that earlier tightenings were slowing the economy, thus curbing inflationary pressures.

■ The French franc fell to FFr3.438/DM, from FFr3.436, its lowest level since December last year, with the early stages of next year's presidential campaign beginning to weigh on

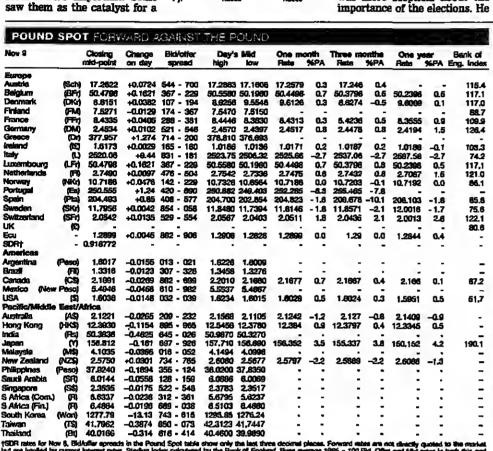
the currency. Mr Chis Turner, currency analyst at BZW in London

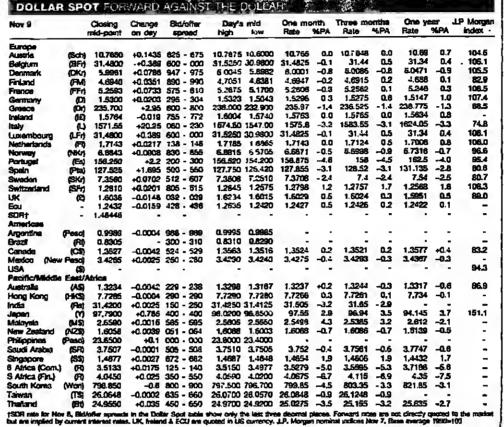
said: "It is difficult to see the franc appreciating ahead of the election, even if the dollar stages a strong recovery." The catalyst for recent weakness was the entry into the cam-paign of Mr Jacques Chirac. He unnerved markets by saying French participation in Euro pean monetary union should be put to a referendum.

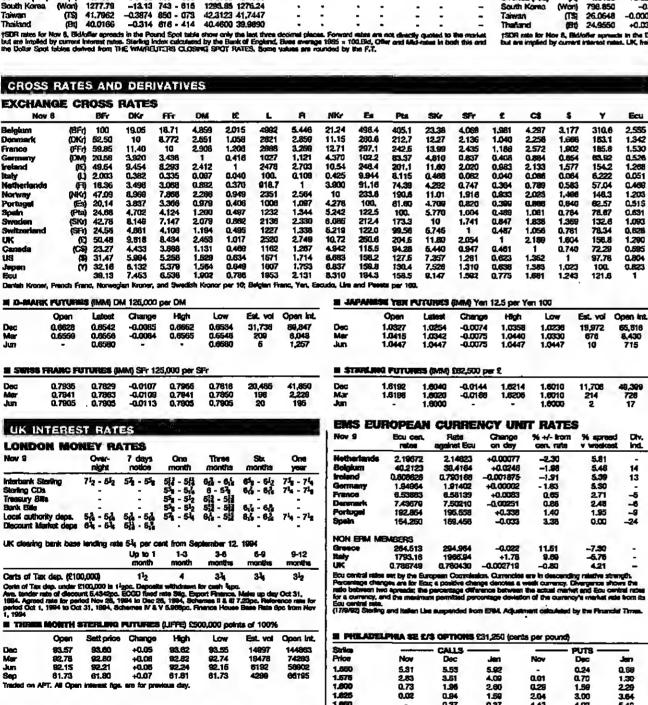
■ The Bank of England pro-vided UK money markets with £1.015bn of late assistance, and £143m at established rates, after forecasting a £1.3ba daily shortage. Three mouth LIBOR was at 6% per cent. Firmer gilt prices helped short sterling futures, with the December contract closing at 93.60 from

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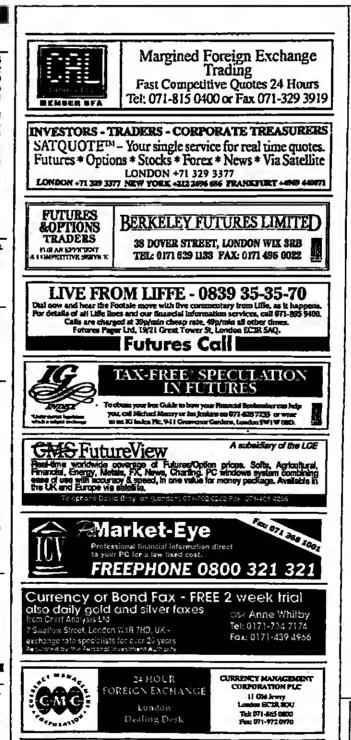
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lun Rom	94,20 94,		0.05 0.06	94.25	94.16 93.79	24563 10793	114329 79214
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ikan	95.29 95.		0.07	95.33	95.29	389	4902
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	Open Sett	price Ch	ange	High	Low	Est. vol	Open Int.
Dec	93.93 93.		103	93.98	93.93	1778	8236
Mar .	93.50 93	55 +0	2.06	93.66	93.50	588	7297
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	Open	Sett price	Change	High	Low	Est. vol	Open Int.	E PHEA	DELPHIA :	E £/\$ 0	PTIONS 23	31, <b>2</b> 50 (c	ents pe	r pound)		
Dec	93.57	93.60	+0.05	93.62	93.55	14897	144863	Strike	-	C	ALS -				PUTS -	
Mar	92.78	92.80	+0.08	92.82	92.74	19478	74283	Price	No	v	Dec	Jen	N	OV	Dec	Jen
Jun	92.15	92.21	+0.05	92.24	92.16	6192	58802	1,550	5.3	1 !	5.53	5.92			0.24	0.68
Sep	61.73	61.80	+0.07	61.61	61.73	4299	66195	1.575	2.8	3 3	3.51	4.09	0.6	01	0.70	1.30
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								1.025	0.0	2 (	1.84	1.50	2.0		3.00	3.64
								1.060	-		0.37	0.37	4	43	4.93	5.40
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9400	0.01	0.01			0.41	1.21	1.81		Open	Latest	Change	Hi	aµ.	Low	Est. vol	Open int
	cal, Calle 3949 P							Dec	93,93	93.95	+0.03	93.	95	93.92	71,717	411,201
							_	Mar	93.45	93.47	+0.03	93.	49	93.43	96,263	415.047
								Jun	92.96	92.99	+0.04	93.	00	92.95	59,208	304,278
		BASE	LEND	NG R	TIES			Dec	94.54	94,54	+0.03	94.		94.53	714	17,583
	_	K.		•				Mar	94.04	94.03	+0.03	94.	04	94.03		
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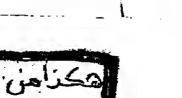
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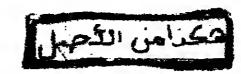
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## Dow turns lower as investors reassess poll

#### **Waii Street**

US share prices fluctuated markets struggled to gauge the impact of broad Republican victories In Tuesday's elections, writes Lisa Bransten in New York.

By 1 pm the Dow Jones Industrial Average had fallen 11.44 to 3,819.30. The more brosdly traded Standard & Poor's 500 fell 1.41 at 464.24 while the American Stock Exchange composite dropped 0.3 at 451.02 and the Nasdaq composite fell 1.01 to 768.53 Trading volume on the NYSE was 214m shares.

In the first 10 minutes of trading the Dow surged to a gain of 38.02 points on optimism about Republican control of both houses of the US legislature, but later in the morning those gains were wiped out as confidence in Republican rule turned to uncertainty. At one point late in the morning, the Dow was down by more than 20 points before a making slight recovery. Program-trad-ing and investor profit-taking sped the declines, which began very early in the morning.

In addition to uncertainty about the government, investors were waiting to see the extent of interest rate increases expected to come out of next Tuesday's meeting of the Federal Reserve's open market committee meeting.

Healthcare stocks got an initial boost from the election news as traders reacted optimistically to the probable death of broad health reforms proposed by the Democratic President, Mr Bill Clinton, but they also fell with the rest of the market. Shares of drugmakers were up slightly by midday after much larger initial gains: Merck, a component of the Dow, gained 4% at \$36%, Pfizer was up \$1% st \$75%. Bristol-Meyers Squibb by \$\% at \$581/2 and Eli Lilly by \$7% at

Defence contractors also got

(25) (57)

Latin America

Chile

Peru

China

Colombia<sup>3</sup>

Venezuela:

**Philippines** 

Sri Lanka

Hungary

an initial boost from the markets as traders ventured that Republican gains might stem decreases in defence spending. After strong gains, Gensral Electric fell \$1/4 to \$48% and Raytheon was unchanged at \$631/4. Northrop Grumman gained \$% at \$44% and Lock need rose \$1/2 at \$72%. The hospital companies, Colum-bia/HCA Healtbcare and National Medical Enterprises. also advanced and retreated with the markets. At midday,

Columbia wes up \$\% at \$40\% and NME rose \$% at \$14%. Shares of Long Island Lighting, a New York City-area provider of gas and electrical services, fell \$11/2 to \$16% with the defeat of the incumbent state governor, Mr Mario Cuomo who had proposed state acqui-

sition of the utility.
In trading unrelated to the elections the railroad, Santa Fe Pacific, rose sharply by \$1% to \$16 after Union Pacific sweetened its offer to Santa Fe sharebolders. Union Pacific shares fell \$% to \$48%; if the takeover is overturned by regulators, it could be stuck with Santa Fe shares worth far less than the proposed purchase

SciMed Life Systems shares rose \$31/4 at \$52 on news that the medical device company would be bought by Boston Scientific for \$865m in stock.

Toronto relinquisbed earlier gains and traded mixed at midday as rate fears reasserted their dominance over post-US election emboria. The TSE 300 composite index

was 4.52 higher at 4,213.61 by noon in volume of 21,71m shares. Dealers noted that the fundamentals for the market had not changed and still pointed to a rocky road ahead. Of the market's 14 sub-indices, 10 held on to gains at noon, with weakness in the base metals group dampening rises in transportation and real estate stocks.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

+77.1

+29.3

+58.0 -12.0

+14.8

+10.9

% Change % Change

+1.1

+0.6 -1.3 -5.2 -1.7

-3.7 +1.9 +0.8 +1.9 +1.6 -1.6 -4.3 +0.7 -1.2

Among the next wave of emerging markets – sometimes described as "frontier markets" since they embrace the type of hazards often experienced when entering a new territory – Russia stands foremost, writes John Pitt.

The recent volatility in the value of the rouble underlined the hazards of investment at

The recent volatility in the value of the rouble underlined the hazards of investment at the moment; although to some far-sighted investors the mayhem in the currency markets was just a passing worry. Indeed, there are some fund managers who believe that within 20 years the country's capital markets could equal those of the US. Merrill Lynch, the US investment bank, observing that blue chips lost some 25 per cent of their value during the rouble crists of mid-October, suggests that primary market offerings, that is cash auctions, currently present a better opportunity for investors. The drawback to this method, says Merrill, is that companies offered in cash auctions provide little or no information, while the auction itself allows very little time for making decisions, "a fact that provides advantage to locals and insiders in a process that is aimed to attract large foreign investments".

132.74 149.32 143.99 143.88 133.07 130.00 143.27 279.05 104.31 130.58 183.55 198.47 150.15 187.08 134.75 139.08 113.06 113.06 289.96 379.21 164.29 184.57 60.37 89.11 125.85 98.32 405.36 508.70 1688.80 8055.13 171.52 168.82 59.97 65.30 155.66 177.49 308.63 255.72 206.15 297.88 1 110.44 134.13 182.97 251.48 1 190.15 129.80 7 137.58 186.51 187.58 186.51 186.51 149.30

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FT-ACTUARIES WORLD INDICES

\_190.30

178.90

\_177.57

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109.27 106.15 137.73 103.86 104.77 114.50 94.50 157.92 105.95 107.46 115.73

139.86 135.93

136.93 176.29 132.94 134.10 146.66 121.09 202.14 135.62

REGIONAL MARKETS Figure in parentheses show number of lines

Singapore (44) ... South Africa (59)

cent as Inco fell C\$% to C\$38 and Metall Mining dropped unveiling a third quarter profit of 7 cents a share, after the 9 cents a share loss in the same

1993 period. Activaly traded issues inclueded Stelco class A, up C\$% at C\$8%, and Morgan Hydrocarbons, down 35 cents

#### Mexico

Mexican stocks opened higher. boosted by cuts in domestic interest rates, but the fall on Wall Street by midsession trimmed the gains. The IPC index was up 5.28 at 2.617.57 at midday, after a high of 2,632. The 28-day Cetes, or treasury bills, were trimmed by 48 basis points to 13.49 per cent at the central bank's weekly auction earlier in the day.

Turnover was moderate at 94.1m pesos, in volume of 8.1m shares

#### Brazil

São Paulo rose 2.1 per cent in listless midday trade as prices remained strong after Telebras, the state telecom, posted positive results for the first nine months. The Bovespa index was up 990 at 48,811 at 1300 local time in turnover of R\$169.4m (\$203.9m). Telebras preferred put on 3.7 per cent at R\$41.50 after the group posted a bettsr than expected R\$710.8m net profit in the January September period.

#### **SOUTH AFRICA**

Industrials beld on to early gains as the sector was supported by firmer world mar-kets, while golds drifted back as the bullion price fell.

The overall index put on 43 at 5.849 and industrials 33 at 6,775. The golds index was unchanged at 2,181. De Beers, which had risen in US trading, firmed R2 to R99; Anglos gained R3.75 at R243.75.

556,126.04 1,301,893,563

1,342.87 1,227.27

258.91

110.46

392.92

146.91

541.65

222.36 767.91

135.00

US Dollar Index

170,29 183,94 189,97 181,15 132,51 246,41 190,92 170,07 142,98 382,87 207,77 180,19 517,99 8131,32 217,82 197,84 382,73 383,35 140,44 288,30 184,98 176,91 184,98 176,91 184,98 176,91 184,98 176,91 184,98

177.23 172.29 221,93 188.35 170.47 185.74 153.25 258.54 172.38 174.62 187.89

Gross Div. Yield

3.73 1.12 4.25 0.74 2.51 1.50 3.11 1.83 1.79 1.85 1.27 3.42 1.86 1.56 1.57 4.35 1.97 4.187 4.287

Pound Sterling Index

158.51 104.75
168.78 112.96
155.39 104.00
166.49 111.43
121.79 81.51
228.46 151.57
175.47 117.44
158.31 104.61
151.12 67.75
351.98 235.51
190.98 127.50
70.70 47.32
147.23 98.54
478.07 318.63
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200.15 133.98
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162.88 109.01 158.34 106.98 202.96 138.51 156.87 104.95 170.71 114.25 140.84 94.25 237.52 159.03 158.43 106.04 180.49 107.41 172.68 115.57

139.79 135.90 176.05 133.68 134.66 146.51 120.88 203.83 135.97 167.74 148.20

176.96 162.63 108.85 139.58 147.52 180.80 158.85 186.15

2.031.82

2,034,88

% Change % Change over week on Dec '99

-3.3 -5.5 +2.1 +1.0

+32.4

+62.8

-32.7

+15.8

-17.7 +2.5 +8.9 -8.2

## Bourses higher on US election results

the Republican election victory earlier than their US counter parts, and doubled or trebled the level of Wall Street's anticipatory gains overnight, urites Our Markets Staff.

When the Dow put on a percentage point in early trading said Mr James Lister-Cheese of Independent Strategy, it looked as if the IIS were following Europe, rather than the other way around. However, bourses seemed willing to follow Wall Street down when it lost some of its enthusiasm

Independent Strategy said that the Republican victory and its potential impact on sxternal trade decisions and the progress of internal budget reductions in the US. was likely to cause volatility in financial markets. "On a oneyear view, we think that 10year US Treasury yields will rise to 8.5 per cent from today's level of 8.0 per cent."

FRANKFURT came back from a session's gain of 43.03 or 2.1 psr cent at 2.096.47 to 2,090.78 at the end of Ibis trading. Retailers staved weak on worries shout consumption trends, said Mr Jens Wiecking at Merck Finck in Düsseldorf but otherwise the market rose across the board in the morn-

FT-SE Activaries Share Toices & 10.30 11.00 12.01 13.00 14.00 15.00 Close FT-SE Eurotrack 100 1339 46 1339.56 1341.11 1344.63 1346.57 1345.92 FT-SE Eurotrack 200 1401.68 1400.75 1401.54 1406.76 1401.34 1409.74 Nov 7 Hor 3 Nov 2 1734**.29** 1384 **92** 1325.53 1316.01 1393.68 1382.67

ing: turnover nearly doubled. from DM4.2bn to DM8bn. The afternoon saw relative weakness in a number of big blue chips. Siemens and Volkswagen. up DM4 to DM625.40 and DM5 to DM447.50, were both well off the top. Analysts said that a Siemens results conference had been disap-

In chemicals, BASF rose only DM1.10 to DM317 after talk of a takeover hid for Boots' pharmaceuticals division, diluting hopes for BASF's gas business; and Viag. the utility based conglomerate, up just DM1 to DM471, extended its role as a

global car sales in September

tember and October. ZURICH was cheered by bopes of a stronger dollar, and the SMI index rose 46.5 or 1.8

relinguished 218.81 at 21.465.36

Morgan Stanley Asia added Its

voice to those reducing the

weighting of Hong Kong equi-ties. It lowered its allocation to

a still overweight 35 per cent

from 40 per cent in its Asia-

Pacific model portfolio. The move came less than a week

after HG Asia (Singapore) also

recommended investors to trim

allocations in Hong Kong. Mor-

gan Stanley upgraded Malay-

sia, Thailand and Singapore

but cut Australia's weighting

HONG KONG finished down

but off lows on late futures-led

demand after dipping on news

of the Morgan Stanley move.

The Hang Seng index lost 10.61

to neutral

in volume of 44.3m shares.

Dax underperformer in Sep-

off a larger than expected numper cent to 2,590.4 as analysts

third-quarter results of the big exporters by around 8 per cent Pharmaceuticals were lifted by expectations that a Republican majority in Congress would slow President Bill Clinton's health reforms. Roche pointing in content, and VW's certificates picked up SFr155 to SFr5.945 and Ciba registered were SFr21 ahead at SFr749. dropped by more than 6 per

noted that the weakness of the US currency had depressed the

Insurers firmed as they sought to play down their exposure to the storm damage in northwest Italy. Zurich Insurance registered were SFr26 higher at SFr1,241. UBS stayed volatile, with the

bank said to be buying the bearers and Mr Martin Ebner's BK Vision picking up the registered stock ahead of the extraordinary sbareholders' meeting on November 22. The bearers rose SFr21 to SFr1,204

PARIS tailed off during the afternoon session, the CAC-40

index ending with a gain of 22.32 or 1.2 per cent at 1,943.86, after a high of 1,961. Turnover improved to FFr4.5bn. Alcatel lost FFr15.60 at FFr432.00 after its German unit reported that it was to lay

ber of employees during 1994 and 1995. Alcatel-SEL, of Germany, also said that it saw no return to profitability before Lafarge Coppée, the building materials group, outperformed the market with an advance of FFr15 to FFr406 after reporting

an 8.5 per cent increase in AMSTERDAM was driven higher by overall strength on the Continent. The AEX index

added 3.85 at 411.54. Royal Dutch, expected to announce a modest rise in third-quarter figures today, with the chemicals side likely to show the best performance, firmed Fi 1.70 to Fi 191.30.

MILAN was carried along by the npbeat mood elsewhere, although domestic and budgetary worries were never far from the surface. The Comit index gained 10.74 or 1.7 per

listed companies and securities

houses to buy back 3 per cent

of their own companies' pre-

ferred stocks by the first quar-

SINGAPORE rebounded as

institutional funds returned to

buy blue chip banks and prop-

erties. The Straits Times Indus-

trial index rose 17.39 to 2,344.40

as Salomon Brothers com-

mented that Singapore's resi-

dential property market

appeared due for a downward

correction but the commercial

market was on track for a

BOMBAY's 30-share index

ended 90.21 or 2.1 per cent

lower at 4,205.68 on hectic sell-

ing by domestic and foreign

mutual funds. Brokers noted a

lack of liquidity as mutual

funds, committed to investing

in the partial privatisation of

cyclical upturn.

Blue chips were broadly higher, with Flat up L141 at L6,245, Montedison L29 at L1,254 and Telecom Italia L126 at L4,212. Among the banks, Credito Italiano picked up L82 to L1,628, after the end of

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bourse trading of its rights issue on Tuesday, and as its offer for Credito Romagnolo remained in play. Romagnole rose L183 to L16,669. BCI appreciated L75 to L3,585. Insurers were mixed as the industry continued to assess the storm damage in the north-

west of the country. Generall rose L431 to L37,881 but Ina was just L2 higher at L2,110. STOCKHOLM hosted better than expected nine-month figures from Electrolux. The Affarsvärlden index rose 15.2 to 1,461.0, although worries persisted over the outcome of

Sunday's EU referendum Electrolux B added SKr9.50 at SKr365, while the drug subindex savanced 1.9 per cent ahead of reports from Pharms. cia today, and Astra tomorrow. Astra "A" ross SKr5 to SKr192.50 and Pharmacia "A" climbed SKr2.50 to SKr135.

Written and edited by William

seven state-owned comp

held back from making fresh

to be weighed down by forced

selling by investors unable to

meet margin calls. The com-

posite index declined 6.45 to

SYDNEY was pulled higher

by strength in golds. The All

Ordinaries index added 15.3 at

1,982.6 and turnover was

A\$375.8m. Resources issue

CRA rose 28 cents to A\$18.36.

in Carter Holt Harvey pressure

prices overall. The NZSE-40

Capital index fell 10.46 to

2.075.17 in NZ\$31.8m turnover.

NZ\$3.86 as a result of worries

about its recently announced

purchase of Bowater's Austra-

CHH dropped 14 cents to

**WELLINGTON** saw a decline

1.051.51

KUALA LUMPUR continued

#### **ASIA PACIFIC**

## Nikkei falls further to a seven-month low

at 9,405.48 after touching

9,356.92. Turnover stayed thin,

TAIPEI rose sharply on late

buying in the electronics and

financial sectors, although bro-

kers said they expected prices

to consolidate ahead of local

government elections on

December 3. The weighted

index put on 101.79 or 1.6 per

cent at 6,449.99. Turnover came

SEDUL edged down in vola-

tile trading as selling of finan-cial shares and mid-priced blue

chips alternated with buying of

primary blue chips. The com-

posite index closed 0.36 off at

1,138.39, after backing down

from an all-time intraday high

Most preferred stocks were

sharply higher after the Securi-

ties Supervisory Board told

to TS41\_15bn.

of 1.145.01.

st a preliminary HK\$2.1bn.

#### Tokyo

The index was off 185.14 at

Profit-taking by institutional towards the end of the session

Investor confidence was dented, too, by the decline in privatisation issues. Individual investors and dealers, fearing a further fall in the market, took profits in early trading. Traders expect the next support point of the Nikkei 225 to be around the 19,111.92 posted on March 31, the final day of the

Volume increased to 299m

Japan Tobacco fell Y16,000 to Y994,000. Investors had been nervous over the stock drop ping below Ylm, regarded as s psychological support level Nippon Telegraph and Tele phone dipped Y29,000 to Y863,000 on active foreign selling, while East Japan Railways

Banks, which depend on unrealised gains on stockhold ings to support their capital ratios, fell. Industrial Bank of

sold in busy trading. Nippon Steel, the day's most active issue, lost Y4 at Y384 and Mitsubishi Hsavy Industries

134.32 150.23
144.85 144.85
133.36 130.05
142.89 279.10
104.52 130.03
194.35 198.24
150.80 167.95
134.15 138.67
112.63 112.53
302.01 379.91
163.89 184.08
80.88 89.42
120.36 98.54
408.58 511.17
1681.12 7884.69
171.81 169.06
60.99 66.08
158.05 177.80
310.57 288.12
287.67 300.40
110.78 134.44
180.08 248.20
130.15 123.90
139.54 171.11
158.80 184.78
149.28 169.27

The Nikkei 225 average funished at a seven-month low after profit-taking pushed share prices down for the third consecutive day, writes Emiko Terazono in Tokuo.

19,423.88, its lowest since April 4, after a day's high of 19,654.33 and low of 19,331.37. Arbitrage buying lifted equities initially. but active sales in the afternoon by foreign and individual investors depressed prices.

vestors looking to cover their foreign exchange losses on overseas bond holdings, due to the recent appreciation of the yen against the dollar, also weighed on the index. Some shares regained ground on small-lot bargain hunting

last business year.

shares from 210m. The Topix index of all first section stocks fell 16.99 to 1,533.28, while the Nikkel 300 shed 3.09 to 280.83. Declines led rises by 867 to 124. with 170 issues unchanged. But in London the ISE/Nikkei 50 index gained 2.93 at 1,262.23.

shed Y3,000 to Y475,000.

Japan receded Y60 to Y2,880. Large-capital stocks wers

declined Y18 to Y752. In Osaka, the OSE average

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